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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 1987

WEDNESDAY, FEBRUARY 19, 1986.

DEPARTMENT OF EDUCATION

TECHNICAL BRIEFING

WITNESSES

BRUCE CARNES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE

THOMAS P. SKELLY, DIRECTOR, BUDGET SYSTEMS DIVISION

JOHN HAINES, DIRECTOR, POSTSECONDARY ANALYSIS DIVISION

Mr. NATCHER. At this time, we take up the 1987 budget briefing for the Department of Education. We have before the committee Mr. Carnes, the Deputy Under Secretary for Planning, Budget and Evaluation. Who is with you today?

INTRODUCTION OF WITNESSES

Mr. CARNES. To my left is Sally Christensen, Director of the Budget Service, and to my right is Tom Skelly, Head of Budget Systems Division, and Mr. John Haines, Head of our Postsecondary Division.

Mr. Chairman, first, let me say I am honored to appear before you today to discuss the 1987 budget for the Department of Education, and I look forward to working with you and other members in the coming months on this budget.

BUDGET SUMMARY

A couple of the big numbers for 1987: We are seeking an appropriation in 1987 of $15.2 billion. That compares to an appropriation in 1986 of $18.5 billion, and Gramm-Rudman reduces that to $17.8 billion.

We are proposing one billion dollars in rescissions in 1986, bringing it to $16.8 billion, and then our proposed rescission that reduces to $15.2 billion. We are seeking a reduction of 14 percent below the Gramm-Rudman level.

First of all, Gramm-Rudman is the law, and it affects 1986 and 1987. We will not labor under any illusions about the fact that this means reductions which will be real, and in some cases, the pain of these cuts will be real. But that would be less than the pain of continued high budget deficits.

Offsetting the reduction in the Department of 14 percent are considerations about the overall context of education funding in this country.

Department of Education dollars account for about 7 percent of the total U.S. education expenditures. The 14 percent reduction in our budget will translate into a cut of approximately 1 percent, therefore, in the overall expenditures for education in this Nation.

That means that the Nation's educational glass, if you will, is 99 percent full, even after our budget. Our budget seeks to achieve several objectives: To improve educational quality; to fund core Federal Government functions; to fund programs that focus on helping the poor and disadvantaged; and to focus efforts on children at the elementary and secondary levels.

SECRETARY BENNETT'S PRIORITIES

The Secretary is proposing a number of major priorities and initiatives in 1987. These include Chapter 1 services for disadvantaged children. We have introduced a voucher bill that would convert the Chapter 1 program into a choice mechanism. Funding for this program would be maintained at the 1985 and 1986 levels of $3.7 billion.

I might add that in a budget that seeks a reduction, it is our view that areas which are maintained at a hold harmless, that is, a steady state of funding, are very high priorities for us.

Another priority area is bilingual education, which will also be maintained at the 1986 level. We will be introducing specific legislative proposals shortly to increase the flexibility of States and localities in determining the means of bilingual instruction.

Our budget would seek $143 million for that program, and we would consider seeking additional funding should we be successful in our legislative proposal.

In student aid, we are proposing a major initiative for student financial assistance called the Income-Contingent Loan Program. This would restructure the NDSL program to provide access for students to large sums of capital to be repaid over long periods of time.

We are also proposing a major initiative in the area of teacher improvement to build upon the math-science legislation. We would expand the disciplines that are currently being covered from math, science, computers, and foreign languages, to include history and English, for example. Our budget would provide $75 million for this area, an increase of $30 million over the 1986 level.

The Administration is seeking funding for magnet schools for the first time. Funding for this program would be maintained at the 1985–1986 level of $75 million. Magnet schools are a proven success. They are a choice mechanism, and a quality mechanism, and we are very much in favor of them. We see them as a complement to our Chapter 1 proposal.

In addition, we will be seeking an increase of $10 million for research and statistics, and funding in that area would increase from $60 to $70 million.

This would permit an expansion of national assessment of educational progress, and improvements in our statistics and research efforts.

In 1986, the Secretary has announced a competition in memory of Krista McAuliffe, the Krista McAuliffe Scholarship Program, at approximately a million dollars from the Secretary's Discretionary Fund. These scholarships would enable teachers to study new developments in math and science under outstanding scholars and scientists.

In 1987, our budget would propose a small amount of funds in the gifted and talented area to acknowledge and help nurture this important national resource. The funding in this area would be approximately one million dollars.

We would provide a slight increase in funding for pre-school grants for the handicapped in order to encourage States and localities to broaden the scope of their activities for handicapped children. We think that the earlier you can reach children, the better off they are. We are proposing level funding at the 1985 level for education for the handicapped and for rehabilitation services.

VOCATIONAL EDUCATION REDUCTIONS

At the same time, we are proposing major funding reductions in vocational education, for which our budget seeks a rescission of approximately $210 million in 1986, and a reduction beyond that of $195 million in 1987, for a total reduction of 50 percent, from about $800 million to $400 million.

This recognizes the fact that there is a great deal of State overmatch here, the States contribute $10 or $12 for every dollar the Federal Government supplies.

The Committee on Economic Development's Vocational Industrial Clubs and others have recognized the great importance of individuals of general education, and are in favor of providing those activities first. The vocational activities we will provide will be programs for the disadvantaged and handicapped.

STUDENT AID REDUCTIONS

In student aid, we will be seeking major reductions as well.

The 1987 budget for student financial assistance would be $6.1 billion. It will still provide student financial assistance for up to 40 percent of all the undergraduates attending college in this country.

Aid would be focused on the most needy students. Consequently, Pell Grants would remain a priority in our budget, and the majority of the reductions would occur in Guaranteed Student Loans. Guaranteed Student Loans would be reduced from $3.3 billion to $2.3 billion.

At the same time, the student aid policy will enable individuals from families with incomes of up to $58,000 to receive Federal student aid. Families that make in excess of $58,000 are only 7 percent of the families in this country.

This is a generous proposal, given the circumstances. There will be no absolute income caps in student aid proposals this year. Rather, we are proposing a modified need analysis system which will be the same for all of our student aid programs. It would be reduced in complexity as well. We would be seeking an elimination of the in-school interest subsidy in the Guaranteed Student Loan program, and we think this is a defensible and reasonable proposal.

The Administration's proposal would still provide for the guarantee of the loan and would still provide access to capital for students. These are the core of the program. What students would be required to do then is to pay the cost of the money.

Basically, Mr. Chairman, those represent the highlights of our budget. We recognize that people may disagree with us concerning the particulars of that budget. People of goodwill often disagree on these matters, and we look forward to discussions with you and members of this committee concerning these matters.

Thank you.

REAUTHORIZATIONS REQUIRED

Mr. NATCHER. Thank you, Mr. Carnes.

Are there any education programs which expire in 1986 and which need to be reauthorized for fiscal year 1987?

Mr. CARNES. Yes, sir. We will be introducing our legislative proposals shortly for the reauthorization of the Higher Education Act.

All of the programs in the area of higher education are up for renewal. In education for the handicapped, and rehabilitation services, those authorities expire this year, although the statute provides for an automatic one-year extension, which is our current favored proposal on that.

Mr. NATCHER. Mr. Carnes, in the higher education category, is this a situation where the Act is authorized for an additional year?

Mr. CARNES. They were extended in 1986, Mr. Chairman, and they will expire at the end of this fiscal year. There is not an automatic provision to extend them. That option was utilized last year.

Mr. NATCHER. Mr. Carnes, We have received word from the chairman of the authorizing subcommittee, that maybe it extends for an additional year.

Mr. CARNES. Not to my knowledge, Mr. Chairman.

Mr. NATCHER. Suppose you take a look at that, Mr. Carnes. For the record, if you will, insert a list of all the budget requests which are based upon legislative proposals, and show the amounts requested and the current status of the legislative proposal at this point.

[The information follows:]

AMOUNTS IN THE FISCAL YEAR 1987 BUDGET REQUEST BASED UPON LEGISLATIVE CHANGES

Program	Amount of Request Based on Proposed Legislation	Current Status of Legislative Proposal
Special programs:		
Teacher training and improvement	$75,000,000	Transmitted 2/24/86.
Rehabilitation services:		
Client assistance	6,300,000	To be transmitted in the near future.
Innovation and expansion	9,000,000	
Service and demonstration programs:		
Special demonstration programs	14,635,000	
Migratory workers	950,000	
American Indians	715,000	
Projects with industry	13,000,000	
Independent living centers	22,000,000	
Training	15,000,000	
National Institute of Handicapped Research	39,000,000	
Helen Keller National Center for Deaf-Blind Youths and Adults	4,200,000	
	124,800,000	
Payments to institutions for the handicapped:		
National Technical Institute for the Deaf Endowment	1,000,000	To be transmitted in the near future.
Gallaudet College Endowment	1,000,000	
	2 000,000	
Promotion of education for the blind	-10,000	To be transmitted in the near future.
Student Financial Assistance		
Pell grants	3,250,000,000	To be transmitted in the near future.
Campus-based aid: Work/grants	400,000,000	
Income-contingent loans	137,568,000	
Teacher cancellations	25,000,000	
	3,812,568,000	

AMOUNTS IN THE FISCAL YEAR 1987 BUDGET REQUEST BASED UPON LEGISLATIVE CHANGES (continued)

Program	Amount of Request Based on Proposed Legislation	Current Status of Legislative Proposal
Guaranteed student loans	-$1,115,241,000	To be transmitted in the near future.
Higher education		
Aid for institutional development	141,208,000	To be transmitted in the near future.
Postsecondary outreach	42,470,000	
Special college services	39,900,000	
Minority institutions science improvement	5,000,000	
Fund for the Improvement of Postsecondary Education	10,000,000	
	238,578,000	
Education research and improvement	58,231,000	Transmitted 2/19/86.

GUARANTEED STUDENT LOANS

Mr. **Natcher.** For the Guaranteed Student Loan program, the budget chart used in the Secretary's press release shows $2,329,586,000 as the request for 1987. In the budget appendix, Mr. Carnes, page 1-118 shows $3,460,250,000 as the 1987 request.

Which figure should the committee use?

Mr. **Skelly.** The President's budget presumed that those legislative savings would be enacted to get you down to the $2.3 billion level rather than the current services level of approximately $3.5 billion.

The budget appendix also says that the legislative proposal will be transmitted later. Presumably, that legislation would have to be enacted before you could appropriate the smaller amount of money that is included in the President's budget.

Mr. **Natcher.** During the hearings and especially at the time we get ready to mark this bill, which figure would we use, $2.3 billion or $3.4 billion?

Mr. **Skelly.** $2.3 billion would be optimistic at this point. You would have to have the assumption that the legislative action would occur in order for you to be able to reduce the cost to $2.3 billion.

Mr. **Natcher.** In general, for fiscal year 1986, will reductions-in-force or furloughs be required because of the Deficit Control Act?

Mr. **Carnes.** We do not anticipate that, Mr. Chairman.

Mr. **Natcher.** Mr. Pursell?

GRAMM-RUDMAN REDUCTIONS

Mr. **Pursell.** I'd like to focus in on Gramm-Rudman: The first phase reduction was 4.3 percent. What percent of your budget will be affected March first?

Mr. **Carnes.** Virtually all of our budget, with the exception of Guaranteed Student Loans which were treated somewhat differently in the Gramm-Rudman-Hollings Act, so the reduction under that program is 1.3 percent or 1.1 percent.

Mr. **Pursell.** GSL was what?

Mr. **Carnes.** 1.1 percent, I believe, $34 million.

Mr. **Skelly.** Out of $3.3 billion.

Mr. **Pursell.** $3.3 billion? Are there other programs that are not subject to or are shielded from sequestering?

Mr. **Carnes.** Yes, sir, there are two other small areas that are immune from a reduction.

Ms. **Christensen.** There is one other program, and that is the Rehabilitation Services State Grant Program, which falls under the special provisions for programs for which an automatic cost-of-living increase is authorized each year.

This State grant program is given special treatment along with those other programs. What, in effect, that means is that the portion of the increase in appropriation which represents the authorized cost-of-living increase would be automatically reduced.

That comes to only 3.8 percent of the 1986 appropriation for that program rather than the 4.3 percent. That is a billion-dollar program. The two other ones are very, very technical programs where we fund the cost of loans that were made for construction in prior years, and it really will not affect any operating programs.

Mr. PURSELL. Are those considered contracts or binding obligations of some sort?

Ms. CHRISTENSEN. Really binding obligations, because they are revolving funds.

Mr. CARNES. We are making payments on loans.

Ms. CHRISTENSEN. It is just the costs of operating those programs. They are very, very minor, very technical, and we are still awaiting final determination by General Counsel and OMB.

Mr. CARNES. For example, under the National Direct Student Loan Act, a student who goes into teaching can have his loan forgiven, but that loan still has to be paid off completely so that one would not be reduced by 4.3 percent, and would not constitute a large amount of money.

Mr. PURSELL. The 4.3 percent number, in order to reach that number, do you go across the board within the Department?

Mr. CARNES. It reduces across the board every line item in the actual appropriation and items that are mentioned in committee reports.

Mr. PURSELL. Including salaries?

Mr. CARNES. It certainly did.

Mr. PURSELL. That is your biggest amount within the 4.3 percent?

Mr. CARNES. Pell Grants is the largest amount, which has an appropriation of approximately $3.6 billion, and it would be reduced $154 million under Gramm-Rudman.

In administrative costs, though, personnel is the largest single reduction, if that is what your question was.

Mr. PURSELL. What was the Pell appropriation?

Mr. CARNES. The appropriation is $3.587 billion.

Mr. PURSELL. You took out how much?

Mr. HAINES. $154 million.

Mr. PURSELL. Did you get much response from that? Have you had much mail?

Mr. CARNES. No, we have not. We were remarking on this the other day. It has been very quiet out there.

Mr. PURSELL. Maybe it is too early.

Mr. CARNES. That is one of our suppositions. People are holding off.

DEPARTMENT OF EDUCATION PRIORITIES

Mr. PURSELL. If you were to give us a list of the top three priorities for your Department this year, what would they be?

Mr. CARNES. The voucher bill that has been introduced.

Mr. PURSELL. Okay, voucher. What else?

Mr. CARNES. The Income—Contingent Student Loan program is another priority. So is the teacher training initiative, which we are proposing as an amendment to the math-science legislation.

SECRETARY BENNETT'S CHANGES

Mr. PURSELL. Of all your various responsibilities and departments, which one is getting the most dramatic change under the new Secretary? Is there any one area of major reform that we should be aware of?

Mr. **Carnes**. There are a couple of areas in which some policies have been markedly changed, including magnet schools. In fact, the Administration's position is completely reversed on this program, and we are now seeking $75 million to maintain the current level of funding for that program. The Secretary is very enthusiastic about magnet schools, not only because they are a mechanism which provides choice, but also because they stress quality. Students and families are attracted to those schools on their merits, and they have proved that when schools increase the level of its demands on its students, students flock to them.

Our student aid proposals recommend some important changes. I said a moment ago that we are not proposing income caps in the area of student aid, as was proposed last year. We are proposing in the Income Contingent Loan program, which provides for a lot of capital for students. Should they choose to go to graduate school and borrow from this program, they could borrow up to $40,000, and have repayment stretched out according to their income. That represents a major change in the area of student aid, and we think it is the wave of the future.

Also, I think another major area of change is the in-school interest subsidy in the Guaranteed Student Loan Program.

Mr. **Pursell**. These three priorities, do they all need legislative change?

Mr. **Carnes**. Yes, they do.

Mr. **Pursell**. The magnet program included?

Mr. **Carnes**. That does not.

Mr. **Pursell**. You are not asking for zero dollars for that?

Mr. **Carnes**. $75 million is the current level, and that is what we would seek to have it funded at.

Mr. **Pursell**. Do you have a lot of requests for magnet funding?

Mr. **Carnes**. We received many requests for magnet funding, but we don't envision it as a Federal responsibility to provide funding for all magnet schools in this country. We are not seeking to do that. That is still a State and local responsibility.

Mr. **Pursell**. Do you target that money where you see a critical problem? Can you use discretion by applying those dollars into an area?

Mr. **Carnes**. I am not familiar with the award mechanism. Again, we do not see this as primarily a desegregation mechanism. It has that aspect to it, and we are grateful for that. It is hard to pick which features would be the major virtue of this program.

STAFFING

Mr. **Pursell**. As far as personnel, what is your situation now?

Mr. **Carnes**. Our administrative funds in 1986 are tight. It is fair to say they are very tight. We will be reducing our employment in the Department by approximately 300 FTE, from about 4,800 to 4,500. That was already in the works before Gramm-Rudman. That is in the 1986 budget.

Mr. **Pursell**. Has there been a reduction in your employment since 1981?

Mr. CARNES. The reduction is approximately 32 percent in total FTE over the life of the Department. That is approximately one-third.

Mr. SKELLY. We are down 2,800 FTE. In January of 1981, the Department had 7,400 FTE, and since that time, we have now come down to approximately 4,600.

Mr. CARNES. Much of the reduction, Mr. Pursell——

Mr. PURSELL. 4,600, total since 1981?

Mr. SKELLY. We are down 2,800 from 7,400 to, now, 4,600.

Mr. CARNES. A couple of years ago, the Administration's proposals in elementary and secondary education were enacted, providing for block grants which made it possible to eliminate a lot of small, categorical programs. In addition, there was a lot of sorting out of people from the HEW breakup.

Mr. PURSELL. When we passed the Department of Education budget, did we put a cap in the law, the maximum number of employees the Department could have?

Mr. SKELLY. There was no cap placed in the law. There is no cap of any kind for employment in our appropriations law. There are references to FTE numbers in the reports for certain offices.

Mr. PURSELL. Wasn't there a reference to that in the Committee report last year?

Mr. SKELLY. The House Committee report last year referred to the overall number that was in the President's budget request, which in total for the Department was 4,579, and the committee went along with that number in total.

Mr. PURSELL. How many vacancies do you have in the Department that are authorized and are not filled?

Mr. SKELLY. We don't approach employment the same way some other agencies do, so right now, we don't count really any vacancies because we are using full-time employment equivalents, which is our budget and management tool, and we only are filling jobs as people leave.

We are relying heavily on attrition, along with employment ceilings that we have given out internally to managers within the Department, to get our overall employment down enough so we can meet both this year's lower appropriation for salaries and expenses, and also the Gramm-Rudman sequester.

GIFTED AND TALENTED PROGRAMS

Mr. PURSELL. You have no funds requested this year for gifted and talented programs?

Mr. CARNES. No, sir, those funds that we are seeking would be a small portion of the Chapter 2 discretionary funds available to the Secretary through the Chapter 2 appropriation. He is provided a small amount of funds to be used for discretionary purposes, and the Secretary is announcing that he would set a priority in providing $500,000 to $1 million for a couple of model projects, much like the Telluride experiments with gifted and talented kids.

Mr. PURSELL. How much is he asking for the discretionary funds? What is the amount?

Mr. Carnes. $29 million, and the Chapter 2 State grants funding is $500 million. Much of the Chapter 2 discretionary funds are already earmarked, so it is discretionary only in a sense.

There is only $4 million with which the Secretary can do as he wishes. Of the $29 million, approximately $25 million of it is earmarked for use in particular activities that have been specified already by Congress.

Mr. Pursell. He has some leeway there?

Mr. Carnes. Right, but not much. I was with the Secretary when he was at the National Endowment for the Humanities, and although the budget is 100 times bigger here, the discretionary funds are much, much smaller.

Mr. Pursell. We spent a lot of time on gifted and talented children two years ago, and this Nation has gone in the other direction. This would appear to change that a little.

Mr. Carnes. These are important resources.

Mr. Pursell. He might be looking at a couple of pilot programs nationally?

Mr. Carnes. Yes, sir, it would provide summer experience for high school kids to work with good teachers at the college level, a very intensive experience, a seminar experience.

Mr. Pursell. Doesn't it include elementary?

Mr. Carnes. It could.

Mr. Pursell. Has he outlined this in written form?

Mr. Carnes. At this point, it is inchoate. It is an ideal, an objective, and has not yet taken concrete shape. When we receive an appropriation for 1987, we would begin through the fall to set up plans for the competition for funds.

Mr. Pursell. No chance this year to make it fly?

Mr. Carnes. Nothing can happen this summer, unfortunately.

GSL SUPPLEMENTAL

Mr. Natcher. Mr. Carnes, there may be a supplemental for Guaranteed Student Loans, is that correct?

Mr. Carnes. That is a possibility. We had an estimate that we were going to have a shortfall of approximately $65 million. Since the time the budget was prepared, we have done another routine estimate, and it looks like the $65 million figure is too high, but it is also conceivable that it is too low, as we start down the road. It is altogether possible we will have a shortfall.

Mr. Natcher. We have no supplemental request before the committee at this time.

Mr. Carnes. That is correct.

Mr. Natcher. Are there any other supplemental requests anticipated in any category that you know about?

Mr. Carnes. No, sir.

PELL GRANT SHORTFALLS

Mr. Natcher. As far as Pell Grants are concerned, as you will recall in the supplemental bill last year, we added, I believe, $287 million for Pell Grants.

Tell us, what is the situation in regard to Pell Grants, as far as the program generally is concerned? Are we a year, two years behind in funding shortages?

Mr. **Carnes**. We are two years behind. We will be seeking funds in 1987 to help offset half of the shortfall, and in 1988, to offset an other portion of the projected shortfall.

Mr. **Conte**. Would you get the amount of money in the shortfall, Mr. Chairman?

Mr. **Natcher**. What about the amount of money?

Mr. **Carnes**. The amount of shortfall we foresee is $490 million.

Mr. **Natcher**. $490 million?

Mr. **Carnes**. Yes, sir.

Mr. **Natcher**. What is the shortfall for 1986?

Mr. **Haines**. At this point in time, it is $368 million. That represents the effects of the Gramm-Rudman sequester, and a shortfall in that appropriation from our estimate of program costs.

Mr. **Natcher**. That is in addition to the $490 million, right?

Mr. **Carnes**. Yes, sir.

CHAPTER 1 LEVEL—FUNDING

Mr. **Natcher**. Now, in the budget that we have before the committee for fiscal year 1987, in Chapter 1, we have the 1986 level; is that correct?

Mr. **Carnes**. Yes, sir.

Mr. **Natcher**. You are carrying the 1986 level in the 1987 request. In other words, you are restoring the sequestered amount of, I believe, $158 million?

Mr. **Carnes**. That is correct.

Mr. **Natcher**. Mr. Conte, I yield to you.

PELL GRANT SHORTFALLS

Mr. **Conte**. We have almost $1 billion in shortfalls, $858 million?

Mr. **Carnes**. Yes, sir.

Mr. **Conte**. When the Chairman and I brought the fiscal year 1986 conference report back, remember, Mr. Chairman, OMB called us up, and insisted on $38 million in additional adjustments. Because OMB and you folks down there in the Education Department felt that we had not appropriated quite enough funds to finance the $2,100 maximum, 60 percent cost of attendance allowance for Pell Grants, we agreed that, if necessary, the estimated $50 to $70 million shortfall could be absorbed by a small reduction in grants. It is my understanding that soon after the bill was signed, you came up with a new estimate, showing the potential shortfall was much bigger than we anticipated.

Could you tell us how many students would be cut out of the program entirely, and what you are suggesting we do about this situation?

Mr. **Carnes**. Our estimate back in those days was actually about $70 million, which we saw as being the shortfall.

Mr. **Conte**. That is the figure we had.

Mr. **Carnes**. $71 million, yes, sir.

Mr. **Conte**. $71 million.

Mr. **Carnes**. And then the estimate, as data came in to us concerning the number of individuals qualifying for Pell Grants, increased to $214 million. On top of that is the Gramm-Rudman sequester of $154 million, leaving $368 million, in the shortfall. That would translate into 290,000 recipients who would be dropped from the program.

PELL GRANT AWARDS

Mr. **Conte**. Would be dropped?

Mr. **Carnes**. Yes, sir, if linear reductions were enacted, which is our proposal.

Mr. **Conte**. 290,000 would be dropped. About what average grant would they be losing in dollars?

Mr. **Carnes**. They would be at the top end of the income scale. I can't give you that figure, but I presume they would be getting in the neighborhood of anywhere from around $500.

Mr. **Haines**. What is important is the amounts you get at different award levels, and we can supply for the record something that would show you awards for each different income level. Depending upon the award level the linear reduction works differently, so an average award figure really is not too helpful.

Mr. **Conte**. Please give me some additional information for the record, then.

[The information follows:]

Pell Grant Program
1986 Academic Year
Effects of Linear Reduction
Typical Family[1]
$5,000 Cost of Attendance

Awards by FY 1986 Funding Level
(Funding level in millions)

Family Income	Full Funding $3,802	Appropriation $3,588	After Sequestering $3,434
$10,000	$2,100	$2,100	$2,100
15,000	1,800	1,750	1,725
17,200	1,600	1,450	1,375
19,100	1,400	1,150	1,025
20,900	1,200	850	675
22,800	1,000	550	325
24,400	800	250	0
25,100	700	0	0

1/ Typical family: Four members in household, two parents working, one child in postsecondary school, no assets.

PELL GRANT AWARDS

Mr. **Conte**. Mr. Carnes says 290,000 students would be dropped entirely, and some would also have their awards cut down?

Mr. **Haines**. Yes.

Mr. **Carnes**. We will provide that for the record. Under linear reduction, the awards at the lower income levels would not be reduced, and the income level at which we would not reduce awards would be at $13,900

Mr. **Conte**. What can we do about this situation?

Mr. **Carnes**. It seems to me, Mr. Conte, that I am not certain that we can do very much about this situation. The pie is finite. It has to be carved up according to certain priorities and objectives, and we have proposed a distribution of the available funds that puts most of the funds on young disadvantaged children, elementary and secondary schools, the handicapped, and sees as a lesser priority the provision of student aid for college students. I said a moment ago that our proposals would still allow 40 percent of the college students in this country to receive student financial assistance.

Mr. **Conte**. How many?

Mr. **Carnes**. 40 percent, which in our view is a very generous proposal. The income of families which would typically not qualify for aid would exceed $58,000, and only 7 percent of the families in this country make in excess of that amount.

Persons from families with incomes in excess of that may qualify for student aid, depending upon their circumstances.

Mr. **Conte**. You say 290,000 would be dropped; would those be more students from low-income families than medium income or wealthy?

Mr. **Carnes**. It would affect students from families with incomes of between $24,000 and $28,000. The current cutoff for Pell Grants is about $28,400. People would qualify for guaranteed loans, though.

EFFECT OF PELL GRANT REDUCTIONS

Mr. **Conte**. When we marked up the '85 supplemental, we got into a discussion on the effects of cutting down from $2,100 to $2,000, or cutting down from a 60 percent differential to a 50 percent differential. This cutoff here, would it affect public schools greater than it would private schools?

Mr. **Carnes**. I don't know the answer to that. I presume it would affect private instructions more than it would affect public institutions, although I can't be certain. This is because private schools are often higher-cost institutions.

It is very difficult for me to estimate—I am just guessing.

Mr. **Conte**. Can you do a little study for us?

Mr. **Haines**. Basically, it depends upon the distribution of current Pell Grant recipients across sectors, and by and large, there are more Pell recipients in the public sector, because it is larger. Therefore, that sector gets affected more. But the design of our overall budget package is such that we are, more or less, affecting sectors neutrally.

Mr. CONTE. Could you put in the record some kind of a table showing me on $2,100 versus $2,000, 60 percent versus 50 percent, about six variations, how it would affect private and public schools?

Mr. CARNES. We would be happy to do that. Our 1987 proposal would maintain $2,100 and 60 percent.

Mr. CONTE. That is your goal.

[The information follows:]

Pell Grant Program
Effect of Award Rules
Public and Private Institutions
1986 Academic Year

Currently in the Pell Grant program there are three award rules used to determine the Pell award. The actual amount of the award is limited to the lesser of (1) the cost of attendance minus the expected family contribution (EFC), (2) the percent of cost of attendance, and (3) the maximum award minus the EFC. For each student, one of the above three award rules determines the amount of the award.

For the most part, awards at private institutions are affected only by the maximum-award-minus-EFC award rule, because of the high costs at this type of institution. Latest data show that 20 percent of the Pell Grant recipients attend private, non-profit institutions and that 37 percent of all Pell recipients attend institutions with costs exceeding $3,600.

Awards at public institutions are affected by both the maximum-award-minus-EFC and the percent-of-cost-of-attendance award rules. Latest data show that 62 percent of the Pell Grant recipients attend public institutions and that almost 49 percent of all Pell recipients attend institutions with costs between $2,100 and $3,600.

Changes to the cost-of-attendance award rule would affect awards at only the lowest cost institutions, with approximately 15 percent of the Pell Grant recipients in attendance at these low cost institutions.

The following table illustrates when each of the three award rules is the determining award rule at any particular cost of attendance. For example, under the current rules ($2,100 maximum award up to 60 percent of cost of attendance), at all institutions where the cost of attendance exceeds $3,500, all Pell awards would be determined by the maximum-award-minus-EFC award rule.

	Cost of Attendance by Award Determination Rule		
Proposal	Costs of Attendance Minus EFC	Percent of Cost of Attendance	Maximum Award Minus EFC
$2,100 Maximum Award/60 Percent of Cost	Attendance costs less than $2,100	Attendance costs from $2,100-3,500	Attendance costs above $3,500
$2,100 Maximum Award/50 Percent of Cost	Attendance costs less than $2,100	Attendance costs from $2,100-4,200	Attendance costs above $4,200
$2,000 Maximum Award/60 Percent of Cost	Attendance costs less than $2,000	Attendance costs from $2,000-3,333	Attendance costs above $3,333
$2,000 Maximum Award/50 Percent of Cost	Attendance costs less than $2,000	Attendance costs from $2,000-4,000	Attendance costs above $4,000

STAFFING UNDER GRAMM-RUDMAN

Mr. CONTE. One other question, Mr. Chairman.

What impact will Gramm-Rudman have on the employment level in the Department of Education? Will you have to RIF or furlough anybody?

Mr. CARNES. We don't anticipate that, Mr. Conte. Prior to Gramm-Rudman, we sought an overall reduction from 4,800 to 4,500, reduction in the Department. The S&E funds we received reflected that reduction, and attrition is achieving that reduction for us.

A Gramm-Rudman reduction is imposing other cost efficiencies on us. We are reducing travel, and various kinds of other discretionary, administrative activities. We are currently under a partial freeze in hiring, and it is conceivable that we will have to take other measures to reduce staffing a little bit lower. We do not foresee anything drastic, and we are not currently projecting a furlough or a RIF.

Mr. CONTE. How about consultants?

Mr. CARNES. Yes, we are cutting down on consultants.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. NATCHER. Mr. Stokes.

1986 RESCISSIONS

Mr. STOKES. Mr. Carnes, you are proposing $1 billion in rescissions for the fiscal year 1986 education budget. Under the law, Congress has 45 days in order to consider these rescissions. That takes us into the month of April.

Mr. CARNES. Yes, sir.

Mr. STOKES. Give us some idea of which programs will be disrupted by the rescission proposals and, particularly, whether the financial aid program will be negatively affected.

It would seem to me that this would seriously impair the ability of universities and their students to plan properly.

Mr. CARNES. Most of our programs are forward-funded, so most of the funds that we are seeking to rescind would not be awarded during this period anyway. There would not be any disruption under our proposal for rescission of program activities. These funds would not be awarded until the last quarter of the fiscal year, in any event.

Indeed, we were cognizant of just that problem. We are not proposing rescissions in areas where programs have to obligate their funds early in a fiscal year, so current programs, such as Impact Aid, are not being affected.

Another general point about the rescissions. The rescissions that we are proposing for 1986 are important rescissions, in and of themselves, from programmatic objectives. Beyond that, they are necessary in order for us to achieve the figure that we have to meet in 1987.

In other words, since most of the funds that we received in 1986 are outlayed next year, they figure into the amount of funding that is totalled up in computing the deficit for 1987. So in order to achieve the Gramm-Rudman target for 1987, rescissions must be enacted in 1986 because because they get counted as outlays in 1987.

Should those rescissions not be enacted, the 1987 rescissions we would have to achieve would be much greater than $1 billion, and it would compound the problem for 1988.

As to the programs where we are seeking rescissions, we are not seeking rescissions from Pell Grants. We are seeking rescissions in vocational education, and rescissions in campus-based student aid programs. Presuming we get enactment of a number of cost-saving proposals we are seeking in guaranteed loans, we could achieve cost savings there.

Ms. CHRISTENSEN. With regard to all rescissions that cut across a lot of programs, we have done the same thing every year. That is, we tell our program managers that on the one hand, they must promote rescissions and say why they are necessary, and especially so this year, but more than that, we tell them they have to go down the second track of implementing the regulations, where necessary, getting all of the administrative requirements done and the paperwork ready to go, and move on those rescissions in the event that Congress turns the rescissions down.

So we do not anticipate any kind of disruption, and this has happened year after year. We are used to that now, and we work with our grants and contracts office and our program people to be sure we are in fact doing this. But I emphasize, this is not just another year of sending up rescissions: we need them to avoid a terrible disruption if we don't get them, between the 1986-1987 school year and the 1987-1988 school year.

Mr. CARNES. That is different from previous years since we have to get that number in 1987.

TRIO PROGRAMS

Mr. STOKES. Mr. Carnes, you are proposing a pretty drastic cut in TRIO programs, from $174 million to $82 million. How did you arrive at the figure of $82 million?

Secondly, do you have any evidence that TRIO programs are not working, and that they are not effective or successful anymore?

What is the rationale behind your proposal?

Mr. CARNES. We think, right now, that the TRIO programs are so narrowly focused, and so limited in what each particular program will allow, that first, what we want to try to achieve is a consolidation that will allow the recipients of those funds to do several things at once. We want to consolidate that into an outreach program that enables institutions to engage in outreach activities prior to students enrolling in college, and the other part would be for when students are in school, and they could cover the whole range of activities once the school receives a grant.

A number of the institutions that have received these funds are the same ones that received these funds when the program was first set up 17, 18 years ago. The same institutions year after year after year keep receiving the funds.

We think that those institutions are capable of taking on a lot of these burdens themselves. We are talking about some institutions that have a lot of resources and don't need Federal funds to do these activities.

Again, we have to live within a limited budget, and our priority is on Pell Grants, and guaranteed loans. In the area of TRIO. We want to be able to modify those programs and make it possible for other institutions to receive grants and to begin to set up these kinds of activities themselves.

John?

Mr. HAINES. There wasn't any real magic behind—or maybe more magic than a particular study that determined the number of $82 million.

Our view on this is that institutions ought to begin as early as 1986 to start picking up some of the costs of these programs, and indeed, we have built in matching requirements, and get more serious as far as the institution goes on year after year

And with respect to the effectiveness, it is not so much that we don't think that the programs are effective, we have very little information that says that they are very effective.

There is anecdotal evidence. You have heard testimony to the effect that particular students have done very well in these programs, but in terms of a serious study that shows that these very high amounts of dollars per student affected under the program, that is something else again. We don't really have any strong indication that it is a terribly cost-effective program.

Ms. CHRISTENSEN. We now have eight separate authorities in this whole area to carry out two basic functions, so by consolidating those functions, we are going to give the institutions more flexibility to decide what they are going to do, and save a lot of money that way.

Secondly, by requiring a gradual assumption of matching over a five-year period—for instance, the Federal share would go from 100 percent, 90 percent, 70, 50, 25, down to zero over five years—actually many more students are going to be served than are being served under our 1986 proposal. Just between 1986 and 1987, we are going to serve 33,000 more students, and that is just in the first year of this gradual phasing in. So we think it is going to help the institutions immeasurably.

Mr. STOKES. Didn't the Department of Education conduct two rather extensive studies of Upward Bound and Special Services?

Mr. CARNES. My recollection is that a study of Special Services was done about eight years ago. I don't recall any more recent than that. I think there was one about eight years ago.

Mr. STOKES. At any rate, in coming to this decision, you have not conducted any study that——

Mr. HAINES. We have not done any new studies, no.

Mr. CARNES. We had to make tough choices about what things came first with the available funds, and we think these activities are valuable activities. No activity currently supported under TRIO would not be supported under our proposal.

We still think providing student financial assistance programs takes priority over that.

VOCATIONAL EDUCATION

Mr. STOKES. What about vocational education?

Mr. CARNES. Precisely the same argument, that within the available funds, we approached the allocation of those funds from the following perspective.

Our first priority was to provide funding for the poor and disadvantaged, the handicapped, and younger children before older children or college students. Using that as a yardstick, we have proposed level funding in a number of areas, such as handicapped and rehabilitation services, and Chapter 1 and Chapter 2, elementary and secondary education, magnet schools; and in the area of vocational education, those programs have a number of particular authorities directed at the handicapped and disadvantaged.

Those activities in vocational education also are a priority for us, and they would receive funding. Other areas in vocational education are not as high a priority as those particular areas.

Beyond that, there is so much money out there in the area of vocational education that our contribution is quite small. The Labor Department has a couple of billion dollars in jobs programs, and vocational-oriented programs, and States match $10 to $12 for each dollar from us.

And private industry contributes to this activity, also.

Mr. STOKES.

Your budget document recommends that the basic vocational education grant program be available solely to serve the disadvantaged, handicapped, women and other non-traditional students.

How do you plan to implement this proposed?

Ms. CHRISTENSEN. What we would do would be to provide appropriation language that would fund just Part A of the program, which sets aside 57 percent of the funds for those particular population groups.

The other 43 percent is basically overmatched by States and localities by at least 10 to 1. Every dollar spent by the Federal Government is matched by $10 by States and localities.

The need is greatest for the disadvantaged, handicapped and limited-English-proficiency students, and they are the ones we want to focus in on, so that the vocational programs can be improved to provide basic skills, and whatever it is that is needed to make them better.

Mr. STOKES. I see.

REDUCTION IN EDUCATION FUNDS

Mr. NATCHER. Mr. Carnes, for the fiscal year 1986, we carried in our bill, and the Senate approved it and the President signed the bill into law, the sum of $18.377 billion for education.

This, I believe, is the second largest amount ever appropriated for education in the history of this country. The budget that we have before us today is about $15.2 billion, which is a reduction of some $3.2 billion.

During the overview hearings, we had the Secretary of Treasury, Mr. Baker, before our full committee, along with Mr. Miller, Director of OMB. When it was my turn to direct questions to these two gentlemen, I said to them, that as far as education is concerned, it meant as much to our people in this country as anything I knew about, and I couldn't understand why it was we had such reductions in education, when as far as foreign aid is concerned, we have a 16-percent increase.

And as far as defense is concerned, a 13-percent increase.

Mr. Carnes, you and I know, along with everyone in this hearing room today, I don't know of anyone in this country that wants to place our country in jeopardy from the standpoint of security of our country. But it is right hard for us on this subcommittee and on the full Committee on Appropriations, and for the great majority in the House, to understand why it is that you would have a $3 billion reduction in education, but a 16-percent increase in foreign aid, and 13-percent increase in defense.

And especially if you go back, Mr. Carnes, and inquire of the Joint Chiefs of Staff and the Secretary of Defense as to how much they have in the pipeline. When they give you that figure, you will be really surprised?

I point this out to you and your associates, but I am sure that you know these figures and the situation. It will be a right difficult area, as far as our subcommittee is concerned, with the reduction of $3 billion, for education.

We will work on this bill and hold careful hearings on it. We will bring out a bill, Mr. Carnes, a good bill for education.

It may be such a good bill that you wouldn't tell anybody about it, you wouldn't brag about it, but one that you will like.

Mr. Carnes, we appreciate your appearance before our committee and we want to thank your associates. They always do a good job, and we will look forward to seeing you again.

Mr. CARNES. Thank you, Mr. Chairman.

1986 RESCISSIONS

Mr. CONTE. Before we let him off the hot seat, I know you are not responsible for this, but what the Chairman says is true. For three years now, we got this bill signed and last year, we got it signed, and we had direct communications with OMB, and the White House, we talked with them, and finally got a bill that they said they could sign, and the President signed the bill.

And now to come up here with $2.2 billion in rescission in Education, Health and Labor is sort of an affront. On the one hand, you are saying in December, that the bill was all right, and you signed it.

Then, all of a sudden, you come back up here and you want all these rescissions. Why didn't they veto the bill then and get it over with?

Mr. CARNES. I think that is a fair question. Obviously, when the bill was signed, Gramm-Rudman had taken effect.

Mr. CONTE. I knew you were going to say that. I am not talking about Gramm-Rudman, which has already cut $678.4 million out of education.

Mr. CARNES. Right.

Mr. CONTE. That is gone. I am talking about rescissions. The ironical thing, I am going to tell you one more thing, and then let you talk. That day that Gramm-Rudman was signed, the signing got a big picture in the newspaper.

The Senators each had a shirt, you remember: "In Texas, they call it Gramm-Rudman." "In New Hampshire, they call it Rudman-Gramm." "In South Carolina, they call it Hollings-Gramm-Rudman." I remember seeing that big picture.

I scoured that Washington Post from the first page to the last, and I didn't see one line on the other thing the President did that same day, Mr. Chairman. You know what the President did that day that he signed Gramm-Rudman? He signed our Labor-HHS and Education appropriations bill.

The same day, but there wasn't a word in the newspaper about that. If he felt Gramm-Rudman was a great thing, and he signed that, and he has to comply with Gramm-Rudman, which he is doing, even though I voted against it, and then he signed our bill, then don't come up here with these rescissions. If he wanted less money he should have vetoed our bill, right, Mr. Chairman?

Mr. NATCHER. Mr. Carnes, last year, we were about $4 billion over the President's budget, generally. We carefully considered the bill after the hearings and the mark-up.

We made some increases and restored funding reductions, but we put it back, Mr. Carnes, where it means so much to the people. That is what Mr. Conte is saying to you. We put it back in those places that mean so much to the people in this country at this time.

So again, in joining with my friends, Mr. Conte, Mr. Pursell and Lou Stokes, we will bring out a good bill, Mr. Carnes, and one that you will like.

STATE FUNDING FOR EDUCATION

Mr. PURSELL. Mr. Chairman, I wanted to go back to a question I raised with Secretary Bennett. The Department was going to measure the additional tax dollars that the American taxpayer spends for education. 44 States made some major changes. Despite the Nation at Risk, and similar studies, we didn't produce more Federal money. Unless I missed my bet, and I can't come close to the Chairman's background in education, the American taxpayer is paying more for education today. If you look at the aggregate: the taxpayer, local, State and Federal governmental level, we have to put it in that kind of perspective to say we are producing more tax dollars for education than any time in our history.

That ought to be said a little bit.

Mr. CARNES. Our estimate of the total spending for education is $257 billion in this country. Obviously, only the Federal Government provides foreign aid, and only the Federal Government provides for defense.

Most of the funding provided for education is provided by States and localities. We are talking about a reduction of a couple billion dollars out of $257 billion in education. That is a very, very modest reduction, approximately 1 percent, in total education spending in this country.

We do not regard it as indispensable. Indeed, our projections are that States and localities are going to increase their own vocational spending for this activity, and that is the proper area for these decisions to be made.

Mr. CONTE. You don't believe that?

Mr. CARNES. We do believe that.

Mr. CONTE. Oh, where are they going to get the money? There are no trees out there with that kind of money. We are going to cut out urban renewal grants, all the city and town revenue sharing programs. They are going to have to raise revenue to do some of the things that are essential, besides education.

Mr. CARNES. I think they are going to do that, Mr. Conte.

Mr. PURSELL. I think we need to reduce the defense budget as well, at least no increases, if we are going to get our deficit down.

Mr. CONTE. Nice to have Mr. Carnes here, Mr. Chairman.

Mr. NATCHER. Mr. Carnes, we want you to know that we appreciate your appearance before the committee. You made a good appearance and this applies to your associates who are here with you today.

The committee will now adjourn until 10:00 in the morning.

TUESDAY, APRIL 8, 1986.

SECRETARY OF EDUCATION

WITNESSES

HON. WILLIAM J. BENNETT, SECRETARY

GARY L. BAUER, UNDER SECRETARY

BRUCE M. CARNES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE

INTRODUCTION OF WITNESSES

Mr. NATCHER. At this time, we take up the budget request for the fiscal year 1987 for the Department of Education. We have before the committee this morning the Secretary of Education, William J. Bennett.

Mr. Secretary, it is a pleasure to have you before the committee. Before you proceed with your statement, tell us who you have with you at the table.

Secretary BENNETT. I am joined by my Under Secretary Gary Bauer, to my right; and Deputy Under Secretary, Dr. Bruce Carnes; and to his left, Sally Christensen, Director of the Budget Service.

Mr. NATCHER. Mr. Secretary, at this time, we will be pleased to hear from you.

FISCAL YEAR 1987 BUDGET REQUEST

Secretary BENNETT. If I may, I will submit my prepared remarks for the record and just talk for a few minutes, to give you the general outlines of our proposal.

First of all, I report from, well, among other things, my visits to schools around the country, and a fair amount of time outside of Washington, talking to the American people about education, that the condition of education is improving and will continue to improve.

Let me say this morning, this budget, the proposal that you have, is the first budget to reflect my priorities as Secretary of Education and of course, it reflects, because of reality, the Gramm-Rudman-Hollings legislation, the Balanced Budget and Emergency Deficit Control Act.

This budget is based on two basic principles, one that States and localities and others have the primary responsibility for the support of education, and Department of Education funding comes to less than 7 percent of the amount of money we spend on education in this country.

1984–1985, that number was $276 billion. I might point out, because of a lot of commentary in the papers, the amount of money we spend on education is about $20 billion more than the 1984-1985 figures for what we spend on defense.

Our budget focuses limited resources on the following things: Improving education quality; providing opportunities for poor, disadvantaged, and handicapped children; emphasizing elementary and secondary education; and supporting core government functions.

Our 1987 request is $15.2 billion, and it is down $1.5 billion from the 1986 revised level.

TEACHER TRAINING AND IMPROVEMENT

Let me say what we intend to do with this budget. First, we are aiming at improving the quality of education, and we propose a Teacher Training and Improvement Act to provide $75 million, or $32 million over the Gramm-Rudman level for the Science and Math program, to address the coming teacher shortage and the need to improve teacher quality.

Many people are talking about that, are concerned about it, and we have addressed it through this new Act of ours, which will help teachers gain expertise in the subjects they are teaching.

CHAPTER 2 BLOCK GRANT

Chapter 2 Block Grant, our budget continues its 1985-1986 presequester level of $500 million. Research and statistics, the budget provides an increase from $57 million at the 1986 postsequester level to $70 million.

"WHAT WORKS" BOOKLET

We think this is an area in which the Federal Government has the clear responsibility and can do good and important work. An example of that, we hope you will agree, is the booklet we just published called "What Works," which we now have had 200,000 requests for from our Consumer Information Center in Pueblo, Colorado.

This is the second most requested government document in history, we are told. It follows only the "Car Book." We think, given America's love affair with the car, this is very good testimony for the value of this document.

MAGNET SCHOOLS

Something new in our budget, we maintain annual funding at the 1986 appropriated level of $75 million for Magnet Schools, the first time the Administration has requested money for magnet schools, but we believe it is important.

We believe magnet schools are working in America, and research has proven that these schools are a success; math and reading scores are up, there is better attendance at these schools, fewer discipline problems, and they involve parents in the educational process.

FIPSE

You will note a slight decrease for the Fund for the Improvement of Postsecondary Education, FIPSE. The budget proposes $10 million to address higher-quality education.

There were concerns about some of our new proposals for FIPSE. We have a record number of applications, or close to record, this year.

BUDGET FOCUS ON POOR, DISADVANTAGED AND HANDICAPPED

Approximately $13.6 billion, or 90 percent of our budget, is allocated to programs that focus educational opportunities on the poor and disadvantaged.

CHAPTER 1

Chapter 1, the budget continues overall 1985 funding again, to make a plain and serious commitment of $3.7 billion, the largest single program in the Department.

BILINGUAL EDUCATION

Bilingual education, despite some unfounded rumors to the contrary, we are maintaining the budget at the 1985-1986 enacted level of $143 million for bilingual education.

HANDICAPPED AND REHABILITATIVE SERVICES

For special education and vocational rehabilitation State grant programs, the budget continues the 1985-1986 post-sequester overall level of $2.5 billion.

VOCATIONAL EDUCATION

Vocational Education, a reduction, down 51 percent, and this decrease, Mr. Chairman, will be phased in over two years—$210 million in a 1986 rescission and $195 million in 1987 reductions. We are focusing the remaining funds on vocational programs for the disadvantaged, handicapped, limited English-proficient, and other special populations.

We recognize in making this reduction that there is substantial funding from other sources. State and locals spend about $10 for each Federal dollar, and the Department of Labor itself spends $3 billion for job training, and companies invest some $30 to $40 billion in employee training.

There is evidence, suggested by a large number of educational reports, of the need for a common base of educational performance and literacy among all students, whether they are going on to college or work. We think that a sound basic high school education should prepare people for both.

STUDENT AID

Student aid, in our student aid area, we are requesting $6.1 billion, down $1.8 billion from the 1986 sequestration level of $7.9 billion. We have proposed a $391 million rescission to the $7.9 billion.

Since student aid, Mr. Chairman, represents almost half of the total budget, we had to make some tough choices. It was clearly impossible to make the reductions needed to be made under Gramm-Rudman without making reductions in student aid.

It was also difficult to avoid reductions in student aid, while following our commitment to provide the maximum amount of services the budget would allow to our younger children.

Nevertheless, we think our proposals are fair, forward looking, fiscally responsible and protective of needy students.

$14 billion in Federally-generated funds will be available to 4.3 million students, 40 percent of our college students. Pell Grants will be targeted on over 2 million students from the lowest income families.

The $400 million consolidated work-study and supplemental grant program request will allow institutions flexibility in making awards to over 800,000 students. The Guaranteed Student Loans request for $2.3 billion will generate $9.3 billion in student loans for 3.9 million individuals.

INCOME-CONTINGENT LOANS PROPOSAL

I hope we will have a chance to discuss our major student aid initiative—Income Contingent Loans. This is putting flesh on the bones of an idea talked about for some time around the country—the idea being that the student whose family cannot afford the cost of college education, the increasingly high price for college education, and where other sources are inadequate, may borrow the money for that education, paying it back after graduation at a rate related to, governed by the student's income earnings. This will preserve educational choice for 500,000 of our neediest students at no cost to the taxpayer.

If you can't pay for it now, you pay for it later. We will increase borrowing limits and base repayments on borrowers' annual income. It addresses both rising college costs and the need to redress Federal spending. We think this is an idea whose time has come.

HIGHER EDUCATION REAUTHORIZATION

The pending House and Senate higher education authorization bills do not, in our view, recognize the new situation created by the Balanced Budget and Emergency Deficit Control Act, Gramm-Rudman-Hollings.

It is in this context that the Administration's authorization proposals, we believe, deserve serious consideration, and for the same reason, we believe our 1987 budget deserves serious consideration.

I will conclude there.

[The statement of Secretary Bennett follows:]

Statement by the Secretary of Education
on the
Fiscal Year 1987 President's Budget

Mr. Chairman and Members of the Committee:

I am pleased to present to you our 1987 budget request for the Department of Education.

This is the first Education budget in which I have had an opportunity to set my priorities as Secretary. It is also the first budget to reflect the new reality created by the Gramm-Rudman-Hollings legislation to eliminate the deficit. This budget represents our best judgment on the allocation of available resources as well as the most effective and proper role for the Department in improving American education.

Two fundamental principles guided us in making our decisions. The first is that States and localities--not the Federal Government--bear the primary financial and decisionmaking responsibility for education in our country. Department of Education dollars represent less than seven percent of total national expenditures for education. Therefore, our proposed reductions will have a minimal impact on the Nation's education budget. The second is that an improved economy is more important to the future of education in our country than any federally funded program. In fact, as a result of economic improvements over the last several years and the emergence of educational excellence as a major national concern, States and localities have been willing and able to increase their education spending dramatically. Even after adjusting for inflation, total national spending for education is up by almost 10 percent since school year 1981-82--and we expect this trend to continue.

Our task, then, is obvious: to carry out the most important aspects of the Federal role in education. This, of course, presents difficult choices. But we have a clear and urgent responsibility to make these choices. This budget focuses our limited resources on what I believe are the highest priorities for Federal involvement in education:

- Improving the quality of education at all levels. A Nation at Risk and other subsequent reports have made clear that this is the first priority in American education, and it is certainly an area in which Federal leadership can make a difference.

- Providing educational opportunities for the poor, the disadvantaged, and the handicapped. Almost ninety percent of our 1987 budget would be devoted to serving these populations.

- Emphasizing elementary and secondary education because of the critical importance of education in the early years.

- Maintaining funding for core Federal Government functions, rather than activities of more marginal value and significance.

We are requesting $15.2 billion for 1987 to carry out these priorities. This is a reduction of $1.5 billion from our revised 1986 level of $16.7 billion.

Included in our revised 1986 budget is a net reduction of $1 billion from the postsequester 1986 appropriation of $17.7 billion. Our proposed rescissions for 1986 would result in significant savings toward the 1987 deficit reduction target, helping to avoid much larger reductions in the future. These 1986 reductions will also help set the stage for our 1987 proposals by eliminating increases over 1985 appropriations, improving the targeting of student aid and vocational education, and terminating programs of marginal significance.

This budget provides sufficient funding for our highest priorities, and includes a few major initiatives to improve the quality of education and to assure educational opportunities for the poor and the disadvantaged.

Improving the Quality of Education

Our 1987 budget contains several initiatives to improve the quality of education, both at the elementary and secondary and the postsecondary levels.

A great deal has been said and written about the coming teacher shortage, and about the need to improve the quality of the teaching profession. To this end, I have submitted legislation--the Teacher Training and Improvement Act--to broaden the Science and Mathematics program. We would fund this new authority at $75 million, an increase of $32 million over the 1986 postsequester level for the existing program. This expanded program would help school administrators and teachers in all disciplines gain additional expertise in the subjects they teach; it would provide recognition to outstanding teachers; and it would encourage qualified persons from other professions to enter teaching. I have announced a special initiative for 1986--the Christa McAuliffe Scholars Program--which will support summer seminars to strengthen the knowledge of elementary and secondary teachers in science and mathematics.

We would fund Chapter 2 block grants to States at the 1986 postsequester level of $500 million. This program is the major Federal vehicle for providing States and localities with funding to improve education services in the ways they determine would best serve their individual needs. Within the Chapter 2 Secretary's Discretionary Fund, I plan a special, but modest, initiative for gifted and talented students. We will support special studies and demonstrations to emphasize the importance of motivating and effectively teaching these children.

We are requesting $70 million for research and statistics, an increase of $13 million over the 1986 postsequester level. We believe the Federal Government has a clear responsibility--first stipulated by Congress in 1867--to provide useful and reliable information to educators and policymakers so that they can make the best possible decisions about their own schools. Increased funding would be used to support better education assessments, improve and expand our basic statistics program, and support new research on such important issues as how to improve teaching and learning and the effects of school and district practices on the quality of teachers and administrators. We intend to make sure that new research findings and improved statistical analyses are timely, understandable, and easily accessible to the American people as they continue efforts to improve their schools. I have submitted legislation to reauthorize the research and improvement activities of our Office of Educational Research and Improvement, and to reflect my recent reorganization of that Office. We also are requesting funds under Salaries and Expenses for the second year of a major survey of student aid recipients, which will provide comprehensive data on who gets how much aid at which kinds of institutions, and on the experience of student borrowers--while both in school and in repayment status. This data will enable the Congress, the Administration, and others to evaluate a variety of important policy issues. Broad support for this study has already been expressed by the higher education community.

For the first time the Administration is requesting funds for magnet schools. Researchers have found that these schools are an effective means of promoting quality education and increasing educational choices. We would continue this program in 1987 at the presequester level of $75 million.

Improving the quality of higher education is another of my highest priorities. Several national reports have criticized such trends as declining student achievement, over-specialization of curriculum, and lax entrance and graduation requirements. Through such activities as the Fund for the Improvement of Postsecondary Education, for which we are requesting $10 million, we will emphasize strengthening curricula, raising standards, and assessing institutional performance and student achievement.

Providing Educational Opportunities for the Poor and the Disadvantaged

Providing equal educational opportunities for the poor, the handicapped, the limited English proficient, and other disadvantaged children and adults is a major responsibility of the Department of Education. Of our total $15.2 billion request for 1987, almost $13.6 billion--about 90 percent of our budget--would be allocated to programs that focus on these populations.

At the elementary and secondary level, Chapter 1, our Department's largest single program, will be continued at $3.7 billion, providing compensatory education services to 5.7 million disadvantaged children. I have submitted legislation to permit parents of educationally disadvantaged children, at their own option, to receive Chapter 1 support through vouchers, so they can choose the schools best suited to their needs. Within this program, we are also proposing a reallocation of funds from the State agency migrant program to grants to local education agencies. Our legislative proposal, which focuses these resources better, will maintain current levels of program funding for the most recent migrant students--those who especially need these compensatory services.

We are proposing to maintain our bilingual education program at the 1986 presequester level of $143 million. Children who are not proficient in English should be afforded every opportunity to learn English in order to participate fully in our society. Therefore, I continue to seek the greatest flexibility possible for local districts and schools to choose the education methods most appropriate to the needs of their children. As you know, I have submitted a bill that would eliminate the currently mandated funding requirements for specific instructional methods.

In special education and rehabilitation services, we are requesting $2.5 billion to help over 4 million children and about 1 million adults realize their potential. This would support the major State grant programs and many of the special purpose activities at their 1985 levels. We will continue to pursue some initiatives which underscore our strong commitment to this special population and the programs that serve them. For instance, we will emphasize preschool incentive grantr because of the importance of early intervention to the potential development of handicapped children; focus on helping handicapped students make a successful transition from school to work; and develop opportunities for persons with very severe disabilities to engage in productive work rather than day care type activities. We also are submitting reauthorization legislation for rehabilitation services that will reflect these emphases.

We are requesting $408 million for vocational education, a reduction of 51 percent from the 1985 level. This decrease would be phased in over two years--$210 million in a proposed 1986 rescission, and a further reduction of $195 million in 1987. We would eliminate general support under Part B of the Carl D. Perkins Vocational Education Act in order to concentrate our resources on Part A programs, which serve the handicapped, disadvantaged, limited English proficient, and other special populations. These reductions will not have any significant adverse effect on vocational education programs because there is substantial funding available for vocational education from other sources. Each year State and local governments spend about $10 for every $1 of Federal vocational education funding they receive, the Department of Labor provides about $3 billion for job training, and corporations invest $30 to $40 billion in training programs for their employees.

For adult education we are requesting $104 million. This includes firsttime funding of $2 million for research, development, and evaluation. We need better information on the nature and extent of illiteracy, the best ways of reaching the illiterate population, and the potential of new approaches to adult learning. No funds for adult education discretionary activities have been appropriated in over a decade, and we believe it is time to improve services to the estimated 17 to 21 million functionally illiterate adults in this country.

In postsecondary student assistance, we are requesting a total of $6.1 billion--a reduction of $1.8 billion from the 1986 postsequester level of $7.9 billion. Student aid programs have, in recent years, been one of the fastest growing areas of the entire

Federal budget, and now represent almost half of this Department's total budget. Achieving the reductions mandated by Gramm-Rudman-Hollings required, therefore, making some tough choices in student aid. Nevertheless, we believe our student aid proposals are fair, forward-looking, fiscally responsible, and protective of needy students' ability to afford a college education.

Some $14 billion in federally generated funds will be available to 4.3 million students, or about 40 percent of college enrollment. Pell grants, funded at $3 billion, will be targeted on over 2 million students from the lowest income families. We are requesting $400 million for a proposed consolidation of the work-study and supplemental grant programs under which institutions can allocate either grants or work-study salaries according to the needs of individual students. Over 800,000 students will receive these awards. Guaranteed student loans, for which we request $2.3 billion, will generate $9.3 billion in loans to 3.9 million individuals.

My major initiative in student aid is our proposed unsubsidized income-contingent loan program to help preserve the educational choices of our neediest students at no long-term cost to the American taxpayer. Borrowing limits will be substantially increased over what is possible in the current direct loan program. Undergraduates will be able to borrow up to $4,500 per year, and graduate students up to $10,000 per year. Repayments will be eased by basing them on the borrower's annual income. We are requesting $137.6 million in new budget authority which, when added to institutions' present loan funds and Federal collections on defaulted direct loans, will yield a total of $859 million for almost 500,000 needy students. Because this proposal addresses both the rising cost of a college education and the need to reduce Federal spending, this is clearly an idea whose time has come.

Our commitment to the disadvantaged is evidenced in two other postsecondary programs. First, we will maintain developing institutions at the 1986 presequester level of $141 million in support of the President's commitment to historically black colleges and universities and other institutions which enroll substantial numbers of poor and disadvantaged students. We will continue to emphasize endowment growth so that these schools can build solid financial bases and be freed from long-term dependence on Federal program funds. Second, we will restructure our TRIO programs which help poor and disadvantaged students to enter college and to graduate. We will target these funds on direct services to students, consolidate program components to provide grantee flexibility in meeting students' needs, and encourage institutions to share in program costs.

In summary, I believe the budget we have presented to you is a sound one. It is prudent in two ways. It will help maintain the Nation's economic recovery, which has benefited American education at all levels; and it will support an appropriate Federal role in the improvement of American education. The President and the Congress have already agreed to the first of these objectives. I look forward to cooperating with the Members of this Committee as we work toward the second. Thank you.

Biographical Sketch

NAME : William J. Bennett

POSITION : Secretary of Education

BIRTHPLACE AND DATE : Brooklyn, New York, July 31, 1943

EDUCATION : Williams College, 1965, B.A.
University of Texas, 1970, Ph.D.
Harvard Law School, 1971, J.D.

EXPERIENCE :

1985 - Present : Secretary, United States Department of Education

1981-1985 : Chairman, National Endowment for the Humanities

1979-1981 : President and Director, National Humanities Center, Research Triangle Park, North Carolina; and Adjunct Associate Professor of Philosophy, University of North Carolina, Chapel Hill, North Carolina

1977-1981 : Adjunct Associate Professor of Philosophy, North Carolina State University, Raleigh, North Carolina

1976-1979 : Executive Director, National Humanities Center, Research Triangle Park, North Carolina

1972-1976 : Assistant to the President and Assistant Professor of Philosophy, Boston University, Boston, Massachusetts

1975-1976 : Academic Administration Internship Program, American Council on Education Fellows in Academic Administration, Boston, Massachusetts

1975 (Fall) : Speaker/Instructor -- In-service Training, Boston Police Academy, Boston, Massachusetts

1974-1975 : Associate Chairman -- Bicentennial Project, National Humanities Faculty, Concord, Massachusetts

1973-1974 : Chairman -- "The Question of Authority" Project, National Humanities Faculty, Concord, Massachusetts

1973 (Spring): Visiting Assistant Professor of Philosophy, University of Wisconsin, Madison, Wisconsin

1971-1972 : Associate Dean and Assistant Professor of Philosophy, Boston University, Boston, Massachusetts

1970-1971 : Tutor -- Social Studies, Harvard University, Cambridge, Massachusetts

Biographical Sketch - William J. Bennett

EXPERINECE (continued) :

1969-1971 : Resident Advisor (Dormitory), Harvard University, Cambridge, Massachusetts

1970 (Summer): Assistant Professor of Philosophy, University of Texas, Austin, Texas

1967-1968 : Assistant Professor of Religion and Philosophy, University of Southern Mississippi, Hattiesburg, Mississippi

1966 (Summer): Instructor, Governor's School, Winston-Salem, North Carolina

HONORS AND AWARDS :

Honorary Doctorate of Laws, University of Notre Dame, 1984
Honorary Doctorate of Humane Letters, Loyola College of Maryland, 1984
Honorary Doctorate of Humane Letters, Elon College, 1984
Honorary Doctorate of Humanities, University of North Carolina, 1984
Honorary Doctorate of Humane Letters, Manhattan College, 1983
Honorary Doctorate of Laws, Williams College, 1983
Honorary Doctorate of Humane Letters, University of New Hampshire, 1982
Honorary Doctorate of Humanities, Franklin College, 1982
Honorary Doctorate of Letters, Gonzaga University, 1982

EDUCATION APPROPRIATIONS BILL

Mr. NATCHER. Mr. Secretary, we have 13 annual appropriation bills. The second largest appropriation bill is the one that is considered by this subcommittee. Of course, the defense bill is $320 billion, and that is the largest appropriations bill we have.

Mr. Secretary, on this subcommittee, we have always believed that when you spend money for the health of the people and for education, that this is money well spent. In most instances, this is where the money should be.

It is not always an easy matter to pass this bill through the House, the Senate, and then down to the White House. During the past number of years, from 1970 to 1976, this bill was vetoed seven times. We overrode three times, and we failed three. One was a pocket veto.

On a number of occasions, I recall that we have had to include this bill under the continuing resolution. This was not due, Mr. Secretary, to the money included for education or health, but mainly due to the fact that we had matters pertaining to school prayer, abortion, and other legislative matters in the bill. They were using this bill as a vehicle for legislative matters--matters that did not pertain to the money amounts. So we have had some problems, as we have gone along, but we have been successful for the past three years.

The President has signed our bill. We have exceeded the budget request as submitted by OMB, but the increases pertain in the main to education and to health.

Cancer, heart and stroke research, Pell Grants, vocational education, adult education, job training are all in the bill. During the overview hearings that we held recently, we had Secretary Baker and Mr. Miller before the committee.

These overview hearings, as you know, are held each year, and we take up with these gentlemen, as we have with their predecessors, matters pertaining to the budget.

One thing I said this time, Mr. Secretary, that concerns me is the fact that they request 16 percent increase for foreign aid, 13 percent increase for defense, but they want to cut this bill.

The budget request is about $4.151 billion under the total amount for fiscal year 1986. In many instances, Mr. Secretary, I can say to you now that this subcommittee will not accept the reductions that have been submitted to the committee, and I don't think we should.

COMMENTS TO SECRETARY BENNETT

But it is a pleasure to have you, and as I said to you before, Mr. Secretary, when you first appeared, that if you are for education, you are at the right place.

And I say that again to you this morning, Mr. Secretary. We want to wish you the best of everything with your assignment.

1986 SEQUESTERED AMOUNTS RESTORED IN 1987

Under the Deficit Control Act, Mr. Secretary, the amount of $675,227,000 is being sequestered from the 1986 appropriations for the Department of Education.

Were all of these reductions, Mr. Secretary, restored in your 1987 budget?

Dr. CARNES. No, they are not. We have restored selectively in certain areas, but largely, we are accepting those reductions and reducing all the other programs as well in 1987, with a few exceptions.

Mr. NATCHER. For the record, if you will, have your staff insert a list of the 1986 sequestered amounts that are restored in the 1987 budget request.

[The information follows:]

Department of Education 1986 Sequestered Amounts Restored in 1987
(In thousands of dollars; 1986 adjusted for comparability)

	1986 Enacted	1986 After Sequester	1987 President's Budget	Amount Restored/ Increased
1987 Request is Greater Than 1986 Enacted				
Chapter 1 grants to LEAs	$3,200,0000	$3,062,400	$3,261,005	$198,605
Chapter 1 evaluation	5,246	5,020	6,246	1,226
Bilingual programs (Part A)	94,951	90,862	99,285	8,423
Bilingual training grants (Part C)	33,564	32,121	33,566	1,445
Preschool incentive grants	30,000	28,710	31,000	2,290
Vocational education data systems	2,300	2,201	2,500	299
Adult education grants to States	101,963	97,579	102,000	4,421
HEA III endowment grants	23,208	22,210	50,000	27,790
Higher education facilities loans and insurance	17,896	17,891	19,205	1,314
Education research and improvement	59,578	56,999	70,231	13,232
Program administration	234,652	224,939	241,192	16,253
Inspector General	15,312	14,654	16,378	1,724
1987 Fully Restores Sequestered Amount				
Chapter 1 handicapped	150,170	143,713	150,170	6,457
Chapter 1 neglected and delinquent	32,616	31,214	32,616	1,402
Chapter 1 State administration	35,607	34,076	35,607	1,531
Impact aid payments for "a" children	513,000	490,941	513,000	22,059
Disaster assistance	10,000	9,570	10,000	430
Chapter 2 State grants	500,000	478,500	500,000	21,500
Chapter 2 Secretary's discretionary fund	28,909	27,666	28,909	1,243

1986 Sequestered Amounts Restored in 1987 - Continued
(In thousands of dollars; 1986 adjusted for comparability)

	1986 Enacted	1986 After Sequester	1987 President's Budget	Amount Restored
1987 Fully Restores Sequestered Amount (continued)				
Magnet schools assistance	$75,000	$71,775	$75,000	$3,225
Rehabilitation services innovation and development	9,000	8,613	9,000	387
American Printing House for the Blind	5,510	5,273	5,510	237
Vocational education permanent appropriation	7,148	6,841	7,148	307
Minority institutions science improvement	5,000	4,785	5,000	215
Howard University endowment	2,000	1,914	2,000	86
Howard University Hospital	22,106	21,155	22,106	951
1987 Partially Restores Sequestered Amount				
Handicapped secondary and transitional services	6,600	6,316	6,330	14
Handicapped postsecondary programs	5,500	5,264	5,300	36
Helen Keller National Center for Deaf-Blind Youth and Adults	4,300	4,115	4,200	85
Vocational education State councils	7,300	6,986	7,000	14
Interest subsidy grants	23,500	22,490	23,000	510
Howard University academic programs	135,124	129,314	133,064	3,750

EFFECT OF SEQUESTER

Mr. **Natcher**. In your opinion, are there any reductions under sequestration that are serious enough to require a supplemental appropriations bill?

Dr. **Carnes**. We don't think so in general, Mr. Chairman. Pell Grants were previously, before the enactment of the Budget Deficit Control Act, we were already running a shortfall. The Gramm-Rudman-Hollings Act has resulted in a greater shortfall in that program.

We don't, however, think that a supplemental is required, nor are we seeking one.

Mr. **Natcher**. The amount sequestered, as far as elementary and secondary education Chapter 1 is concerned, I believe that is back in for 1987?

Dr. **Carnes**. Yes, sir.

Mr. **Natcher**. All right, is the amount sequestered in the Guaranteed Student Loan program causing any serious problems that you know of?

Dr. **Carnes**. We have not had any reports of any serious problems, Mr. Chairman.

Mr. **Natcher**. We understand that there may be a problem in State allocations under the Carl Perkins Vocational Education Act, because of sequestration. Apparently, some States will receive increased allocations, while others will receive fairly significant reductions.

Are you aware of this problem?

Dr. **Carnes**. Yes, sir, we are aware of that, Mr. Chairman. That had to do with a provision that was enacted in last year's bill. Should our rescissions be accepted, I don't believe that we will have this problem.

It has to do with the nature of the allocation of monies under that formula.

1986 PROPOSED RESCISSIONS

Mr. **Natcher**. Under the rescissions for 1986, in addition to $675 million of automatic Gramm-Rudman reductions, your budget also proposes over $1 billion in rescissions.

Last December, the President signed the 1986 appropriations bill because it met the target which he had agreed to in August. We even took $38 million out of the bill after the conference report had been filed, while we had the conference report on the floor, in order to assure that we did not exceed the target as much as a small amount of a dollar.

Will you explain please why you are now proposing to rescind $1 billion in addition to the automatic Gramm-Rudman cuts of $675 million?

Mr. **Bauer**. The White House, the Administration reserves the right to take another look at these spending levels. The President made a judgment to sign, based on the overall appropriations contained in the bill.

When we began the budget process this year, we went back and looked at these programs and tried to make judgments of appropriate spending levels, and decided that rescissions were called for.

In some areas, the rescissions will make it easier for the States to adjust to the final levels in the budget proposed for the 1987 year by phasing down some of these programs, so we attempted to reach some savings; and in doing that, we were not inconsistent with the President signing the appropriations bill earlier.

Dr. CARNES. Mr. Chairman, given the overall budget level for the Department in 1986, and given the fact that our outlays are paid out over a series of two to three years, in order to achieve an outlay level that we needed to achieve in 1987, it was necessary to begin reducing the budget authority for those outlays in 1986.

Were we not to rescind funds in 1986, then those monies would be outlayed in 1987, and we would far exceed the target for 1987. The consequence of that would be that we would have to reduce the 1987 appropriations further than we are proposing.

Mr. NATCHER. The reason why I am asking about these rescissions is that after we hold hearings for 16 weeks, sit down and mark up this bill and the President signs the bill. Then they send rescissions up here, Mr. Carnes, and they expect me to say to my friends, Silvio Conte, Dave Obey, Steny Hoyer, and Joe Early, apparently we have made a mistake, we put too much money in the bill.

EFFECT OF NONAPPROVAL OF RESCISSIONS

Now, we want this money rescinded. It is a right difficult matter. If any of the proposed rescissions are not approved by the Congress, what will be the effect on the 1987 budget?

Dr. CARNES. The 1987 budget will exceed the targets that we are proposing in order to meet the Gramm-Rudman-Hollings Deficit Control Act. We will be over, and our share of outlays will have to be reduced in 1987 even further than we are proposing.

PELL GRANT SHORTFALL

Mr. NATCHER. Let's take up Pell Grants for just a few minutes. As you know, there is a serious funding problem in the Pell Grant program, and this is not just recently, but has been going on for a number of years.

The program has had a shortage of funds annually since 1983. How much is required to take care of the aggregate shortfall in the program through fiscal year 1986? Isn't this about $1 billion?

Dr. CARNES. Yes, sir, there is $490 million that has been borrowed in previous years against subsequent appropriations. In addition, the shortfall is $368 million this year, so it is about $858 million we are short.

PELL GRANT LINEAR REDUCTION

Mr. NATCHER. For 1986, the Department is planning to meet the Pell Grant shortage by means of the linear reduction formula in the basic law. Generally, what would be the effect of this procedure on the number of students and grants awarded?

Dr. CARNES. Under linear reduction, 290,000 students would not receive Pell Grants, but would presumably receive guaranteed loans. Those individuals from typical families with incomes of $13,200 or below would not be affected.

The linear reduction, in other words, does not reduce the awards for people at the lowest income levels. $13,200, Mr. Conte. At that level of income and below, there will be no reduction under linear reduction.

Mr. NATCHER. In our view, the statutory formula was never intended to distribute a large funding shortage of over $300 million such as we have now. When you apply the formula in such cases, you get serious distortions in the distribution of grants.

Would you agree to that?

Dr. CARNES. I would not characterize them as serious distortions. I would, however, think it is safe to say there would be some noticeable effects on the awards.

ROLL CALL VOTES ON EDUCATION BILL

Mr. NATCHER. Mr. Secretary, we have had our ups and downs with this bill. Two years ago, we took this bill to the Floor, Mr. Conte and I, and the other members of this subcommittee, and we passed it in an hour and 53 minutes.

I recall quite a few years ago this bill would be on the Floor five to seven days. The all-time record for the 20th century, Mr. Secretary, as far as roll call votes are concerned is held by, this bill. One time a number of years ago, there were 22 roll call votes in one night.

This bill ought to pass in one hour, Mr. Secretary. I say that to you frankly. If we have an appropriations bill that could be called the people's bill, it is this one.

Mr. Conte, I yield to you.

Mr. CONTE. Thank you, Mr. Chairman.

COMMENTS TO SECRETARY BENNETT

Mr. Secretary, I would like to, along with the Chairman, welcome you back before the Subcommittee in your second appearance, accompanied by the first budget you have had a hand in developing.

As Secretary, as you have found out, every aspect of your background and your personality comes under scrutiny. There is one aspect of your personality I would like to delve into a little here today.

If it is okay with you, I would like to give you a little quiz, to test your claim to be the "Cabinet expert on rock and roll." When I was in Cleveland I heard on the news that you picked Cleveland as the Hall of Fame for Rock and Roll.

Mr. Secretary, what was Elvis Presley's top hit before he was drafted into the Army?

Secretary BENNETT. Please. "Hound Dog."

Mr. CONTE. "Don't Be Cruel."

Secretary BENNETT. It is the flip side. It is the same record.

Mr. CONTE. Can you name Buddy Holly's number one hit song?

Secretary BENNETT. "Peggy Sue."

Mr. CONTE. Who recorded "The Book of Love"?

Secretary BENNETT. Monotones.

Mr. CONTE. Not bad, you got 80 percent; I'll give you partial credit for getting the flip side.

In all seriousness, though, I would like to welcome you here. This is, in my opinion, a tough budget to defend, particularly in the areas of student aid, vocational education, and the handicapped. But before we go into these, let me just ask a couple of more general questions.

SECRETARY'S IMPRESSIONS AFTER CLASSROOM VISITS

Mr. Secretary, you have received a lot of attention for the time you have spent visiting classrooms around the Nation and spending time teaching students. What would you say you have gained from these visits?

Secretary BENNETT. Overall, a sense of the American students, the American child and confidence in that child's ability to learn.

Second, friendship, or at least a good acquaintance with a number of teachers and principals, the people who do the job in the schools as opposed to the Washington-based organization staff who claim to represent teachers and principals, and education workers in the United States, a base for judgment about a variety of the educational issues.

I learned a lot about what matters to teachers and principals, people who are there every day, and I learned something particularly relevant to our hearings today. I am often asked about what are the most effective Federal programs for elementary and secondary education, and one can talk to some extent in general terms about what is effective and what is not.

What is plain to me, after 21 visits to schools and classrooms, is that the most effective Federal program is the one that is deployed most effectively on the local level. The existence of a Federal program does not mean that it will reach its object, reach its goal in the local situation, unless there are people there who make sure it will.

The amount of creativity that you see on the part of the use of funds from all sources is the mark of administrative success.

I have seen places where Federal programs are present, but the performance was not what one would hope, and I have seen other places where the creative use of those resources has brought things to a fine result.

The most important thing that I saw, not just through the school visits, but visits to the communities, State legislatures, and others, is the tremendous interest in education in America, and no matter how this budget issue is resolved between us, education is improving in America.

I am optimistic, where it matters the most, in the individual schools, State capitals, local school boards, I think there is a new sense of focus and responsibility about education, and I think this more than anything explains some of the recent good news we have seen in education, college board scores going up, and the like, so one has reconfirmed one's confidence in the American people, and we knew we had a problem, and we are going about corrrecting it.

TEACHER TRAINING AND IMPROVEMENT PROGRAM

Mr. **Conte**. One side of the equation on excellence and quality in education that has been looked at is taking steps to assure the quality of teaching in schools. One of the initiatives in your budget is a new $75 million Teacher Training and Improvement Program, to replace the $45 million Math and Science Program.

Mr. Secretary, would you describe this initiative, and indicate why it would be an improvement over the current program, and how you expect it to contribute to the improvement of schools?

Secretary **Bennett**. The major improvement of this program, is that it will allow teachers from all disciplines to participate. There are some areas where math-science teachers are in short supply, but there are other places where the training of people who are teaching language arts, English, and social studies—that used to be called history; in fact, used to be history; and is now social studies—that sometimes the training there and preparation is not all that it should be.

This Teacher Training and Improvement Act will give teachers an opportunity to gain mastery of their discipline. A very important report came out yesterday, the Holmes Report, a report on teacher education. Their recommendation was that the "education major" as a "major" should be abolished, and that teachers, people studying to be teachers should major in an academic discipline.

We are going the same direction, stressing in this Act the opportunities for people to learn more about their disciplines. It also seeks to encourage States, as they see fit, to look at the teacher shortage, to encourage people into the profession, and it also addresses the need for principal training and the like.

CHRISTA MCAULIFFE SCHOLARS PROGRAM

It has one other aspect which I should mention, and I didn't mention up front, which is called our Christa McAuliffe Scholars Program, named after our recently killed national hero, Christa McAuliffe, and this will be for summer seminars for elementary and secondary school teachers.

Those are the main features of the act.

PELL GRANT FUNDING IN 1986

Mr. **Conte**. Mr. Secretary, I consider the most pressing and most difficult issue currently facing us to be the funding of Pell Grants in fiscal year 1986. As we discussed earlier in the year with Department officials, the combination of $154 million in Gramm-Rudman-Hollings cuts plus a revised Departmental estimate of a shortfall in funding of some $215 million.

Dr. **Carnes**. $368 million altogether.

Mr. **Conte**. That's over three times higher than the Department's estimate at the time we acted on the appropriations bill, and it has thrown the Pell Grant program into crisis.

EFFECT OF SEQUESTER AND SHORTFALL ON AWARDS

We have established that 290,000 students would lose their Pell Grants as a result. Would you also have the exact figure on how many additional students would have their grants cut?

Dr. Carnes. I can certainly supply that for the record, Mr. Conte, if I don't have it with me immediately. I will supply that for the record.

Mr. Conte. Sure.

[The information follows:]

Effect of Linear Reduction

If linear reduction is used to reduce the 1986 funding level to $3.434 billion, 290,000 students will not receive Pell Grant awards, 768,000 students will receive reduced awards, and 1.9 million students will be unaffected by the reduction.

ESTIMATED NUMBER OF REDUCED GRANT AWARDS

Mr. Conte. You have no ball park figure?

Dr. Carnes. 768,000.

Mr. Conte. Is that in addition?

Dr. Carnes. A reduction. 768,000 in addition would have their awards reduced, in addition to the 290,000.

Mr. Conte. How many total Pell Grants are awarded now?

Dr. Carnes. Total number of Pell Grant awards in 1986 is approximately 2.7 million.

Mr. Conte. It will drop it down to a little below 2 million?

Dr. Carnes. About that, yes, sir; approximately 21 million in 1987.

Mr. Conte. Are you prepared to see this many students cut off from the program, or have their student aid significantly reduced?

Secretary Bennett. The numbers are large. But we anticipate in a number of these cases the students will go into the Guaranteed Student Loan program, but fiscal realities are there.

Dr. Carnes. With $490 million already in the hole on this program, it is our strong view that—that this shortfall in 1986 must be absorbed. Otherwise, we face an even greater crisis in future years.

NO SUPPLEMENTAL PROPOSED TO COVER SHORTFALL

Mr. Conte. You have one other alternative. You could send up a supplemental.

Dr. Carnes. We can't recommend that, because we do not believe a supplemental is either required or in order, for both policy and budgetary reasons, simply.

Mr. Conte. As Ranking Member on the Appropriations Committee, and this Subcommittee, I can tell you that certainly if Defense has a shortfall on something, they at least send up a supplemental. Or if the State Department has a shortfall on something, they will send up a supplemental.

You misjudged, maybe that is the wrong word, but your figure wasn't right when you first came up, and should be corrected, and that is the way to do it rather than knocking out future Pell Grant recipients.

Secretary Bennett. In terms of the analogy between Education and Defense, which seems to drive a lot of our discussions——

Mr. **Conte** [continuing]. Use the State Department or Interior——

Secretary **Bennett** [continuing]. Fiscal realities are such that choices in terms of our Department are limited. The question is, and it is one that we need to get to with regard to the whole discussion, is whether we are relying too much on the Federal Government as the source for funds for higher education.

We have done some statistics which we would like to submit to you, pointing out the Federal role of supporting higher education has been increasing very dramatically over the last few years and there are many who salute that, but at the same time the role of others has been decreasing.

Education is not like Defense or State, something which the Federal Government does or has not done at all. Education is something in which a lot of players are involved.

We would like to tell you the support for education from a number of other quarters, other than the Federal Government, we think can be increased rather dramatically. But we are again somewhat captive of the numbers—required reductions, because of the amount of money we have available.

Mr. **Conte**. You can use that same analogy on foreign aid. I supported foreign aid for 28 years, through every Administration, and you could say that a lot of other people will be contributing to the foreign aid outside the United States, yet we are picking up a tab of about $15 billion out there.

I happen to feel very strong on this area of your budget, as well as vocational education. I happen to be a student of vocational education, and a beneficiary of the GI Bill of Rights. If I didn't have that my family wouldn't have been able to send me to college, and I would not have gotten a college education or a law school education.

LAWSUIT TO OVERTURN AUTOMATIC SEQUESTRATION OF FUNDS

I am doing my bit to recover the Gramm-Rudman-Hollings cuts by being one of the members who are bringing the lawsuit to overturn the automatic cuts. If the lower court is upheld by the Supreme Court, then presumably the March 1st sequester, which had been declared null and void, and which amounts to $675 million in the Education Department, will be returned to the Department.

USE OF SEQUESTERED FUNDS TO COVER SHORTFALL

My question would be, shouldn't a portion of those funds be used and targeted to take care of the Pell Grant program?

Mr. **Bauer**. If that eventuality takes place, we will look at all the options. I would assume if the Gramm-Rudman approach was constitutionally somehow suspect, there has been no change in the attitude of the Congress, that we need to get our budget deficit under control, so I would hesitate to rush to spend money that might be turned back to us, assuming that you gentlemen would come up with other ways to put the savings through if Gramm-Rudman is not a constitutional way to do it.

Mr. **Conte**. I have consumed my time, Mr. Chairman.

Mr. **Natcher**. All right, Mr. Obey.

COMMENTS TO SECRETARY BENNETT

Mr. OBEY. Mr. Secretary, I would like to comment on something the Chairman said earlier. I remember when this Committee was sitting around that table in the mark-up last year, and there were a lot of items that we wanted to support that we didn't for the good of the order, in order to get a compromise with the Administration.

Mr. Conte was very strong in conveying his resistance to supporting the bill which would not be supported by the Administration.

In the interest of getting a bill which was not going to be vetoed we rejected a request Mr. Early made to increase AIDS research, beyond the level to which we finally did increase it.

We were told that we spend 35 times as much on the consequences of AIDS each year as we spend to try to find a solution for it. We turned down several requests made by Mr. Roybal, and Mr. O'Brien, and other members, all in the interest of getting a deal, because we were given the impression that if we moderated our requests, we would have a deal which would be lived up to on all sides.

I guess my question is this; it is not so much a question as a comment. I am coming from a different place this year from where I was last year in terms of putting this bill together.

To be very blunt, there are a lot of politically popular programs in this bill that on which I would like to get Republicans on a roll call, either for or against. We declined to do that last year, because of our efforts to get a deal. But, if we are told that the deal is going to last only until the President's ink is dry and for any reasons they want to concoct, that that deal is not going to hold and that the Administration will effectively veto some of these items through these rescissions, then it seems to me there is no deal at all. We might as well proceed to put in the bill what we want to see put in here, and let the President veto it. Then we can have a public argument about those specifics rather than a sort of under the table, quiet argument that never gets noticed in the public debate when it occurs through a device called a rescission.

So just a little message, the efforts at cooperation are off, as far as this member is concerned, because I believe in striking a deal that holds for more than a couple ticks of that clock.

CUTTING SOCIAL PROGRAMS TO FUND DEFENSE

I fully subscribe to the comments made by the Chairman. In terms of the comments that we had to accept some of these rescissions in order to enable us to comply with Gramm-Rudman this year without making even deeper reductions, I would simply say if we are going to make some comparisons with the military budget, as you did in your opening remarks, I would like to put some others in the record.

We were told by President Reagan in his campaign in 1980 and every year since, that the reason we had to take a whack at education, a whack at health care, a whack at job training is because the Soviets were increasing their military budgets 8 to 10 percent a year in real dollar terms after inflation, and we had to play catch-up. The Congress did that.

We doubled the budget on the basis of that intellectual substantive argument. We were now told last week by the CIA and DIA in combined testimony before the Joint Economic Committee, that those claims were wrong.

We are now told that the Soviets increased their military budget not by 8 or 10 percent a year in real dollar terms, but by 2 percent a year. We were 80 percent or more off.

We are also told in terms of military procurement, the Soviets increased their budget in real dollar terms by 1 percent a year in the 10-year decade between 1975 and 1985, which indicates that on the basis of erroneous information that we were provided by the President and by the Defense Department, we had to absorb huge reductions in domestic programs in order to pay for that.

We are also told by CBO that domestic discretionary spending in 1962, before we ever heard of Lyndon Johnson's Great Society programs, was 4.2 percent of GNP, and rose to 5.8 percent of GNP by 1979-1980, and it has now declined to 4.1 percent of GNP.

So, according to CBO, we are at a lower percentage of our national treasury being applied to our discretionary social programs in the health, education, and health and welfare areas than we were before the beginning of the Great Society initiatives in 1964.

If we leave the budget on automatic pilot, and do not adopt a single one of the President's policy recommendations, 3.7 percent of the GNP will be spent on discretionary programs. You on the other hand, if we leave it to the Administration, the percentage of GNP that will be devoted to discretionary programs will drop from 3.7 to 2.7 of GNP.

That is the context in which we are discussing your recommendation. Yet, the President asks me, wearing my other hat, to provide for a budget which represents 107 percent increase in funding for military grant programs around the world, from 8 to 38, which is the free giveaway military assistance. Conservatives used to bitch about it in this country, when Democrats were providing it. This year the Administration asks us to increase the number of countries getting military training from 63 to 100 in the context of Gramm-Rudman.

So that is why this member doesn't take seriously the assertion that Gramm-Rudman is making us do it. I think what is making us do it is ideology.

Secretary BENNETT. Whatever the estimates from the Defense Department and others about Soviet efforts, does it strike you that the Soviet Union is in retreat?

Mr. OBEY. I don't think that is the question. We ought to be basing our budget on right numbers rather than baloney. Do you dispute the numbers laid out by the DIA and CIA?

Secretary BENNETT. I have no idea about those numbers. It strikes me as a citizen that we should not be prepared to say, well, the anemic Soviet Union is such that we don't need to devote any attention to it. They represent no threat to us.

INCREASES IN FEDERAL, STATE AND LOCAL EDUCATION SPENDING

Let's talk about numbers. The implications of your remarks is poor education is being starved when, in fact, we have seen dramatic increases in education spending in the last four, five years. We are spending $276 billion in this country.

If you want to look at education spending, look at the whole picture. Education spending went down in the late seventies. It has been going up since the Presidency of Ronald Reagan.

We are spending more in constant dollars, and every other kind of dollar, and you know about low rates of inflation recently. Education is not being starved in this country.

DIFFERENT ESTIMATES OF PELL GRANT SHORTFALL EFFECT

Mr. **Obey**. You just testified if we accept the shortfall for Pell Grants, 290,000 students will receive no Pell Grant. Why do your numbers differ from CBO's, which told us that 340,000 families cut off from Pell Grants?

Dr. **Carnes**. I don't know why our numbers differ from CBO's on that. When you do this exercise, you have to make guesses about what the family income level is of people, how many people at the various income levels there are.

These are very imprecise number guesses.

Mr. **Obey**. Are your Department's guesses any more accurate than the Defense Department's guesses on the Soviets' spending on military in the last 10 years?

Dr. **Carnes**. I can't answer that, Mr. Obey.

Mr. **Bauer**. The $850 million total shortfall was over a number of years, our estimates were off; but you gentlemen did not fully fund the policies that you passed.

The Congress changed the award rule several times and did not increase the appropriation to a level that would fully fund it.

Mr. **Obey**. I am trying to get at the accuracy of the numbers you just gave us. We got CBO's because they are supposed to be the traffic cop we believe when we don't believe each other.

Mr. **Bauer**. Our numbers, like everybody's numbers, are occasionally wrong, and there is plenty of responsibility in that regard to go around.

HIGHER EDUCATION SUPPORT IN 1949 AND PRESENT

Mr. **Obey**. I know the Administration is fond of saying that we are spending more on education than ever before. If you take a look at what we are providing by way of direct Federal support for higher education, how do you think that compares in real dollar terms with what we were providing in 1949 for higher education in direct Federal support?

Secretary **Bennett**. I can't tell you off the top of my head.

Mr. **Obey**. In 1949, we were spending about $2.7 billion under the GI Bill. In 1986 dollars, that would be $12.7 billion.

In contrast, the Federal Government is providing directly to students for higher education approximately $8 billion, which leaves us with about a $4 billion gap in terms of where we are in comparison to where we would have been if we had simply adjusted the GI Bill for inflation all of these years.

So I would suggest that in real dollar terms, we are not doing all that well.

Dr. **Carnes**. Mr. Obey, real dollar spending on higher education in this country has gone up steadily.

Mr. **Obey**. I don't want to hear about what somebody else is paying for with property taxes, but Federal money which we are appropriating.

Don't change the subject, please.

Secretary **Bennett**. If you have dollars from other sources, what is so magical about the Federal source?

Mr. **Obey**. We had dollars from other sources in 1949, too. If you can give me the numbers from 1949 to now, I will debate that.

Secretary **Bennett**. Our spending on education in constant dollars has gone up steadily.

Mr. **Obey**. The Federal Government's has not gone up.

Secretary **Bennett**. What is magical about the Federal Government's?

Mr. **Obey**. It comes from a more equitable source than the property tax.

Secretary **Bennett**. That doesn't make it magical.

Mr. **Obey**. You used the word magical, I didn't.

Secretary **Bennett**. Why, in talking about education, why do we need to be talking about the educational well-being, the financing of America?

Mr. **Obey**. Because in a district like mine, with farm income going to hell in a hand basket, they have got no ability to increase their funding for education at the local level, when the major taxpayers are going out of business.

Secretary **Bennett**. No other sources of funds go for education in your area?

Mr. **Obey**. This Defense Department budget of the Administration's will do very well in keeping up with the Russians in terms of that race but it is not doing very well in terms of keeping us up with economic competitors on the education and training side.

GSL CAP EFFECT ON ELIGIBILITY

One other question on your numbers, on the Guaranteed Student Loan program, with the $30,000 cap before you can get into needs analysis, what percentage of American families are in fact eligible for participation?

Dr. **Carnes**. We will supply that for the record, Mr. Obey.

Mr. **Obey**. I think it is 57 percent.

[The information follows:]

Percentage of Families Eligible for GSL

There are no absolute income cut-offs for Guaranteed Student Loan (GSL) eligibility. The relationship between income and eligibility depends upon family characteristics and the cost of the school attended: therefore potentially, a very high percentage of families is eligible for GSLs if the student attends a very high cost school. The exact percentage of families eligible for GSLs at the schools which students currently attend is unknown. However, at a school costing $12,000, the income cut-off resulting from a comprehensive need analysis for a family of four with one member in college is $70,000 under current law. Under our proposals, the income cut-off for a family in this situation would be $58,000. Ninety-three percent of American families with one or more children under age 18 earn $58,000 or less.The eligibility/income cut-off would be lower at lower-cost schools and higher at more expensive schools. Additionally, all families are eligible to borrow for college costs under the PLUS program.

Mr. **Obey**. The Administration makes note of the fact that there was a $15,000 cap on that program in 1965. With that 15,000 cap in 1965, do you know what percentage of American families would have been eligible at that time?

Dr. **Carnes**. No, sir, I don't.

Mr. **Obey**. 92 percent.

Dr. **Carnes**. Under our proposals, 93 percent of the American families will be eligible for student aid.

Mr. **Obey**. Not for the GSL?

Dr. **Carnes**. For Federal student aid.

STUDENT PAY OFF OF GSL DEBT

Mr. **Obey**. I am talking about GSL. The average student who graduates in 1985, from the University of Wisconsin who has borrowed money for college is $7,000 in debt. The kid going to school today who are borrowing are expected to be $10,000 in debt. Have you done any numbers on what percentage of young worker income after those workers have left school would be required to pay off that kind of debt, over the time period allowed under the law?

Dr. **Carnes**. I don't have an answer to that question.

Mr. **Obey**. Could you provide that for the record?

[The information follows:]

GSL Repayment Burden

A student who graduates with $10,000 of Guaranteed Student Loans (GSLs) could repay this debt over 10 years, making monthly payments of $121.33. For a borrower with a starting salary of $14,000 per year, this payment would equal 10.4 percent of gross income. At a salary of $22,000, payments would equal 6.6 percent of gross income, and at a salary of $29,000, payments would equal 5 percent of gross income. Of course, most graduates will realize salary increases during their GSL repayment periods, thus further reducing the burden of their debt over time.

STUDIES OF STUDENT PAY OFF OF DEBT

Secretary **Bennett**. We have some pretty good studies indicating that students are able to pay off those debts, and with less difficulty than has been talked about, and that most pay off.

INCOME CONTINGENT LOAN PROGRAM

The vast majority of our students do pay off those debts in pretty short order. That is an issue that is central to our proposal for the Income Contingent Loan program, so the payback would be salary sensitive.

Mr. **Obey**. I have nine or 10 questions for the record on that program, including, if you could provide a copy of the legislation you are talking about, so we know what the answers are to some of these technical questions.

Dr. **Carnes**. That bill has been submitted. We will provide you with a copy. A recent study by a leading expert in the study of student aid issues reveals that 90 percent of those persons receiving Guaranteed Student Loans report that they do not experience any difficulty in making their loan payments.

Mr. **Obey**. I would like to bring you to my District to participate in some of the forums I participated in during the last few months, and see if you walk away with that same impression.

Dr. CARNES. I would be glad to do that.

Mr. NATCHER. Mr. Roybal?

BILINGUAL EDUCATION STUDIES

Mr. ROYBAL. I have some questions with regard to bilingual education. You are being quoted as having said, "After 17 years of Federal involvement, we have no evidence that the children whom we have sought to help have benefited."

What is the factual basis of your statement about the bilingual education program?

Secretary BENNETT. There are a number of studies I can submit for the record. Recalling that speech, the main basis for my remark was a series of studies which pointed out there was no conclusive evidence that any one method of bilingual education was superior to any other. Thus there was no reason for the Department of Education to continue its current policy, which we are seeking to change, of mandating the method of instruction that must be used in bilingual education.

Mr. ROYBAL. Isn't that method the use of the language of the home as a vehicle for the learning of English?

Secretary BENNETT. Yes, in general.

Mr. ROYBAL. You stated you can submit various studies that have been done on bilingual education methods. Will you provide them for the record, and also who did the studies, under whose direction, and whether or not those studies were made by persons who were bilingual?

Secretary BENNETT. Sure, be glad to.

[The information follows:]

REVIEWS OF RESEARCH ON EFFECTIVENESS OF TRANSITIONAL BILINGUAL EDUCATION

1. Christine Rossell and J.M. Ross. "The Social Science Evidence on Bilingual Education" (mimeo) Boston University, 1984.

   Description: This 1984 report was used in the Denver *Keyes* bilingual education case as evidence against the use of transitional bilingual education as the exclusive method of teaching limited English proficient children.

   Bilingual Staff: Unknown.

   Federal Study: No.

2. Keith Baker and Adriana de Kanter. "Federal Policy and the Effectiveness of Bilingual Education" in *Bilingual Education.* Lexington Books, 1983.

   Description. During the Carter Administration, at the request of the White House, two U.S. Department of Education analysts, Baker and de Kanter (1981, 1983), reviewed over 300 documents to determine the effectiveness of transitional bilingual education. The authors found mixed results of transitional bilingual education on English proficiency. They also identified studies reporting positive results for alternative programs, such as English-as-a-second-language and structured immersion.

   Bilingual Staff: Yes.

   Federal Study: Yes.

3. Masahito Okada, et al. *Synthesis of Reported Evaluation and Research Evidence on the Effectiveness of Bilingual Education Basic Projects*. Final Report. National Center for Bilingual Research. July 15, 1983.

   Description: This 1983 analysis by the National Center for Bilingual Research of over 1,000 evaluations of bilingual education programs was inconclusive about the effects of transitional bilingual education.

   Bilingual Staff: Yes.

   Federal Study: Yes.

4. Iris Rotberg. "Some Legal and Research Considerations in Establishing Federal Policy in Bilingual Education" in *Harvard Educational Review*, May 1982.

   Description: In 1982, Iris Rotberg wrote in the *Harvard Education Review* that "reviews of research findings comparing the effects of alternative instructional approaches on student achievement have shown that bilingual programs are neither better nor worse than other instructional methods." She concluded that there is no research basis for the Federal government to advocate or require a specific instructional approach.

Bilingual Staff: Unknown.

Federal Study: Yes.

5. Nadine Dutcher. "The Use of First and Second Languages in Primary Education: Selected Case Studies." The World Bank, 1981.

   Description: A 1981 World Bank review of selected international case studies found that "there is not one answer to the question of what language to use for primary school but several answers, depending on the characteristics of the child, of the parents, the local community, and of the wider community."

   Bilingual Staff: Yes.

   Federal Study: No.

6. B. McLaughlin. "Language Learning in Bilingual Instruction: Literature Review." (mimeo) University of California, 1982

   Description: A literature review by McLaughin begins with the following conclusion: "Indeed, because of the different needs of different children, it seems clear that there is no single model of bilingual instruction that is most effective." [Emphasis in original]

   Bilingual Staff: Unknown.

   Federal Study: Yes.

7. Heidi Dulay and Marina Burt. "The Efficacy of Bilingual Education" in Education Evaluation and Policy Analysis, 1979.

   Description: This study found that 97 percent of bilingual evaluations were scientifically unacceptable. Almost half the studies found no effect or a negative effect for bilingual education. This study is also referred to as "Zappert and Cruz" (1977).

   Bilingual Staff: Unknown.

   Federal Study: No.

8. Christina Bratt Paulston. "Bilingual/Bicultural Education," in Review of Research in Education, 1978.

   Description: A 1978 comprehensive review of the international literature by Professor Paulston, Chairman of the Department of Linguistics at the University of Pittsburgh, compared the effectiveness of various types of educational programs for language-minority children. She concluded that "the research on bilingual education is characterized by disparate findings and inconclusive results."

Bilingual Staff: Unknown.

Federal Study: No.

9. Patricia Lee Engle. "The Use of Vernacular Languages in Education Language Medium in Early School Years for Minority Language Groups." Center for Applied Linguistics, 1975.

Description: A 1975 published by the Center for Applied Linguistics revealed that the research literature did not confirm the supposed superiority of instruction in the native language.

Bilingual Staff: Unknown.

Federal Study: No

SECRETARY'S VISITS TO BILINGUAL EDUCATION CLASSES

Mr. ROYBAL. I have asked many questions throughout the State of California, particularly since I knew you were coming before the committee. I wanted to know if you or anyone on your staff had ever been in my District or in any other District in the State of California to study bilingual education?

Secretary BENNETT. I have not been in your District, or any other District in California.

Mr. ROYBAL. Neither has anyone on your staff. Nor have they been in Texas or Arizona, or various States where bilingual education is used, to study first-hand the effectiveness of bilingual education.

Secretary BENNETT. I spent half of last week in Tucson and Phoenix in bilingual education classes.

Mr. ROYBAL. They probably didn't know you were there.

Secretary BENNETT. They knew I was there. My visits were written up fairly substantially.

Mr. ROYBAL. The point is that whatever decision was made with regard to your stand was not actually based on first-hand knowledge of the situation.

Secretary BENNETT. Well, the speech I gave summarized the research to that date, and I said I was looking forward to the opportunity to begin this dialogue, welcoming comments, which we have done, regarding our regulations; and second, making sure that the school districts included some efforts at bilingual education.

Mr. ROYBAL. I would like to invite you to my District to see the bilingual education program first-hand; by observing that for a short time, you will conclude that it is beneficial

FLEXIBLE APPROACH TO BILINGUAL EDUCATION

Secretary BENNETT. I do conclude what I saw was beneficial, and my conclusion based on what I saw, is that we were exactly right in what we proposed at the time of that speech; we should have a flexible approach to bilingual education.

Each community should decide which method it wishes to use.

Mr. ROYBAL. Each community decides now. They use the language of the home as a vehicle for the learning of English.

Secretary BENNETT. The question is how much one uses the home language. A number of school districts, deeply committed to bilingual education, have written to us, saying that their present strictures are such that they can't receive Federal funds. In my recent visit to Tucson, Phoenix, and Mesa, Arizona, I saw all three methods being used, and to very positive effects.

This suggests to me that flexibility ought to be the rule, and Federal regulations ought to be more flexible.

REAUTHORIZATION OF BILINGUAL EDUCATION

Mr. ROYBAL. You think bilingual education should continue?

Secretary BENNETT. Sure, as long as we stress two things: the purpose of the Federal bilingual education is to make students fluent in English; and, as soon as possible.

Mr. ROYBAL. You are in favor of the reauthorization of Title VII when the current authorization expires?

Secretary BENNETT. Sure.

Mr. ROYBAL. Your position is that when that reauthorization is made, it should be under a program mandated by your office?

Secretary BENNETT. We have proposed legislation to eliminate one stricture in the current legislation. We are certainly committed to Title VII and to bilingual education. Our program should operate with somewhat different principles than it does now.

VARYING METHODS OF BILINGUAL EDUCATION

Mr. BAUER. What we are puzzled by, is why in this area, unlike any other area the Department deals with, there is this desire to mandate out of Washington how each school district that takes Federal money must educate its language minority children.

The studies show that under different circumstances different methods work better than others. Local school districts ought to work with parents to come up with the best way.

Our budget showed we are committed to the program. We don't think that Washington, however, knows best in every case how language minority children should be educated.

Mr. ROYBAL. Washington does not know best what the Title VII program is. There are programs in the United States, particularly in my District in the State of California, but also in other sections of the country, that are most successful. These children who receive bilingual education do benefit from it.

I was born in the United States, and my great great grandparents were born in the United States. I can trace my ancestry to the year 1610, 10 years before the pilgrims landed on Plymouth Rock. I am a native of New Mexico, so I am not foreign to this country, but when I went to school, my first day, I didn't know a single word of English. There was a smart teacher who used Spanish as the vehicle for the learning of English, and I benefited from that.

I know firsthand what bilingual education is. If you aren't convinced by that, go to the schools where we train our diplomats. Before we send them to any country, we have them learn that language, you see.

They do very poorly, incidentally. I have heard our diplomats in Latin America, speaking Spanish, and my little five-year-old grandson can do a lot better. Yet we spend thousands and thousands of dollars to get them trained.

The truth of the matter is that the language of the home, English, is used in order for them to learn the Spanish language.

You talk about different methods. I am not really conversant with the various methods you are talking about, but I do know that the Title VII program is successful, though I know that it has failed in some respects.

There are a lot of critics, but most of the critics are monolingual educators, who are threatened by the fact that the bilingual teacher may be getting a better break, and I see that throughout the State of California. I assume it is the same thing throughout the country.

BILINGUAL EDUCATION EVALUATION

What progress has the Department made in complying with the provisions of the Education Amendments of 1984 that creates a division exclusively responsible for the collection, aggregation, analysis and publication of data and information on the operation and effectiveness of programs under Title VII.

Dr. **Carnes**. We have a staff in our Office of Bilingual Education and Minority Language Affairs that is working on a report on this, and we should be seeing that shortly. It should be submitted soon.

Mr. **Roybal**. Will that report be made available to this committee?

Dr. **Carnes**. Yes, sir.

BILINGUAL EDUCATION PROPOSALS

Mr. Roybal, if I could mention one additional thing, the Department's proposals are to continue funding bilingual education. We support bilingual education. The proposals are for increased local flexibility.

The National Association of State Boards of Education has recently endorsed our proposal. We have a lot of thoughtful endorsements from people throughout the country on our proposals.

Mr. **Roybal**. Going back to these methods, Mr. Bennett just told the committee that he was in Arizona, where he saw three distinct methods being used. He didn't tell the committee that any one of those three methods was a failure.

Secretary **Bennett**. Right.

Mr. **Roybal**. That must mean that there has been progress in bilingual education and all methods basically use the same criteria, use the language of the home as a vehicle for the learning of English.

Secretary **Bennett**. There is a difference in philosophy. I saw several methods, and different methods were working successfully.

Mr. **Roybal**. Use the methods that work.

Secretary **Bennett**. That is right, but leave communities free to use whatever method will work for them. There was one class in Mesa using English as a second language, and the teacher, Mr. Beltrone, was conducting the class entirely in English. The class was predominantly Hispanic, but not exclusively. There were several children from Indochina and other parts of the world. In Mesa, they have 29 different language minority groups, so they feel ESL is the best method to use. They counsel students using as they feel necessary the native language of the student.

I went across the border, the city border to Phoenix, Garfield Elementary School, and there, they were using TBE in the kindergarten. The class was entirely Hispanic children, and the language of the class was 80 percent Spanish, 20 percent English. They showed me the 3rd grade class, and the proportions were reversed, 80 percent English, 20 percent Spanish.

In Garfield, at John Wesley Powell Junior High, the minority population is entirely Hispanic. Those are the facts that often dictate the need for a flexible policy, which is what we are after—not the elimination of the program.

Mr. **Roybal**. You are for bilingual education?

Secretary BENNETT. Yes, sir.

Mr. NATCHER. Mr. Early.

PELL GRANT PROPOSALS

Mr. EARLY. "Providing educational opportunities for the poor, the disadvantaged and the handicapped. Almost 90 percent of our 1987 budget would be devoted to serving these populations." That is from page 2 of your statement.

On your Pell Grant testimony, the cutoff is going to be at $13,900?

Dr. CARNES. No, sir. Our Pell Grant proposals for need analysis in 1987 would produce on the average an elimination of Pell Grant eligibility between $23,000 and $24,000 for the typical family.

Mr. EARLY. What was the comment you made earlier?

Dr. CARNES. In response to the mechanism of linear reduction.

UNDERESTIMATION OF PELL GRANT SHORTFALL

Mr. EARLY. The linear reduction, with regard to the $368 million shortfall.

Let me ask you, Mr. Secretary, are you going to look at why there was such a termendous underestimation in such the Bell Grant Program.

Our business is foresight, and when we get that type of mistake, it is really alarming.

Secretary BENNETT. Sure. We try to make the best judgments we can, but as indicated earlier, we don't always get the best in terms of our numbers, and the Congress doesn't always guess the best in terms of its numbers.

Dr. CARNES. A significant amount of that money was already short at the appropriation level. Enough money was not appropriated to start with, and we so advised this committee.

Mr. EARLY. Did you send up a supplemental?

Dr. CARNES. We did not.

Mr. EARLY. Don't you think you should have sent up a supplemental, that one was in order?

Dr. CARNES. There was a slightly different mix of students enrolled in college than was projected. The Gramm-Rudman sequester cost approximately another $150 million of this reduction, almost half of it.

Mr. EARLY. $13.9 million and you are going to have 290,000 student not eligible, and another 768,000 students received reduced awards. Over one milion middle-class people that are not going to be eligible, right?

Dr. CARNES. No, sir.

Secretary BENNETT. I will have to ask Mr. Carnes about the figures.

Mr. EARLY. Over one million students under those numbers will not be eligible—will get reduced amounts?

Dr. CARNES. 290,000 will not be eligible.

Mr. EARLY. What about the additional 768,000?

Dr. CARNES. Their awards will be reduced under linear reduction.

Mr. EARLY. Over one million students will either be eliminated or reduced?

Dr. **Carnes**. Yes, sir.

GUARANTEED STUDENT LOAN PROPOSALS

Mr. **Early**. If they don't have the Pell Grant, they will have the Guaranteed Student Loan?

Dr. **Carnes**. Yes, sir. They will be eligible.

Mr. **Early**. Aren't you asking for a higher repayment, a higher percentage of repayment, on the student loans under this budget?

Dr. **Carnes**. Higher percentage repayment?

Mr. **Early**. Are you suggesting that the percentage they repay on Guaranteed Student Loan will be increased?

Dr. **Carnes**. No, sir, not under Guaranteed Student Loans. The loan limits would not be increased under our proposals.

Mr. **Early**. The interest on the loan?

Dr. **Carnes**. Oh, under our 1987 proposals, we are recommending that the in-school interest subsidy be eliminated for Guaranteed Student Loans, yes, sir.

Mr. **Early**. Curry College in Massachusetts, majors in nursing, the tuition and board is $12,000; $48,000 at the conclusion of the four years. How is a policeman, fireman, or mechanic going to pay?

You are suggesting they are not eligible for Pell Grants, but they will get Guaranteed Student Loans. How will they pay back more?

Dr. **Carnes**. Mr. Early, my response to that question is, in fact, persons from such circumstances under our proposals will not have their loan eligibility reduced significantly or at all.

Persons from low-income families, attending high-cost institutions will be protected under our proposals, and will qualify for essentially the same amount of aid as under current law.

A student attending a high cost institution of $15,000, for instance, from a low-income family, could currently receive $15,000 in student aid. Under our proposals, he will still receive that.

PELL GRANT LINEAR REDUCTION

Mr. **Early**. With the linear reduction, he will still receive that?

Dr. **Carnes**. That just applies to the 1986 award year.

Mr. **Early**. Will they still receive that?

Dr. **Carnes**. He would receive less than that.

FEDERAL SUPPORT FOR HIGHER EDUCATION

Mr. **Early**. On page 5, you say, "Improving the quality of higher education is another of my highest priorities. Several national reports have criticized such trends as declining student achievement, over-specialization of curriculum, . . ." and "Through such activities as the Fund for the Improvement of Postsecondary Education, for which we are requesting $10 million, we are emphasize strengthening curricula, raising standards, and assessing institutional performance and student achievement."

You are now going to tell them what to do, but not give them any money, is that correct?

Secretary **Bennett**. No, we are going to give them money.

Mr. **Early**. $10 million for that. That is a small amount to stretch out.

Secretary **Bennett**. They get money from us in other ways.

We are responding to the field itself, to the various reports in the area of higher education on problems of quality, on problems of assessment.

As I testified before to Senate subcommittees on that issue, everyone who has studied higher education has these same concerns, particularly expenditures of large amounts of money—$100 billion a year this country spends on higher education, including the Federal Government share.

We want to be sure that when the Federal Government, parents and State governments invest this much money, we want to be sure we are getting value for our dollar.

Mr. **Early**. Is the trend for Ph.D.'s in this country, as compared to other countries, increasing?

Secretary **Bennett**. I could submit that to you.

[The information follows:]

DOCTORATES RECEIVED BY U.S. CITIZENS AND FOREIGN STUDENTS

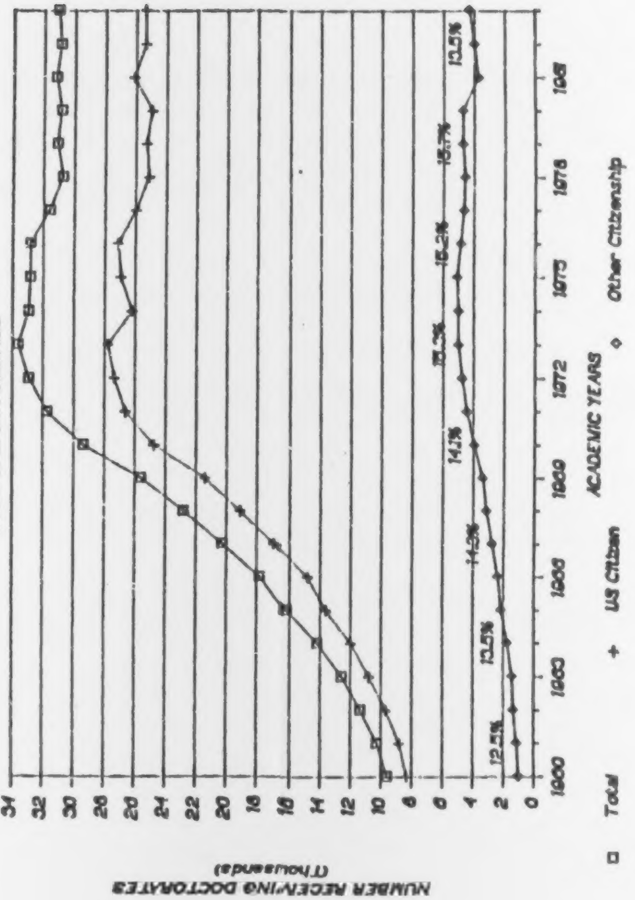
The number of foreign students receiving graduate degrees increased dramatically during the 1960s and 1970s. In 1960, approximately 1,200, or 12 percent, of those receiving doctorates from U.S. universities were foreign students. By 1980, the number of foreign students receiving doctorates from our universities had increased to 4,918, or 15.9 percent.

Since 1980, however, the number of foreign students receiving doctorates from U.S. universities has declined slightly. In 1983, a total of 4,495, or 14.4 percent, of those receiving doctorates were foreign students.

The table and graph below provide more detailed information on the trends in foreign students receiving doctorates from U.S. universities from 1960 to 1983.

CITIZENSHIP OF PERSONS RECEIVING DOCTORATES FROM U.S. UNIVERSITIES

Academic Year	TOTAL	U.S. Citizen #	U.S. Citizen %	Other Citizenship #	Other Citizenship %
1960	9,733	8,469	87.0	1,176	12.1
1961	10,413	8,961	86.1	1,306	12.5
1962	11,500	9,841	85.6	1,518	13.2
1963	12,730	10,927	85.8	1,605	12.6
1964	14,325	12,121	84.6	1,931	13.5
1965	16,340	13,772	84.3	2,313	14.2
1966	17,949	14,974	83.4	2,544	14.2
1967	20,404	17,030	83.5	2,924	14.3
1968	22,936	19,227	83.8	3,314	14.4
1969	25,743	21,541	83.7	3,569	13.9
1970	29,498	24,915	84.5	4,148	14.1
1971	31,867	26,758	84.0	4,597	14.4
1972	33,043	27,480	83.2	4,925	14.9
1973	33,756	27,914	82.7	5,172	15.3
1974	33,047	26,343	79.7	5,185	15.7
1975	32,950	27,079	82.2	5,250	15.9
1976	32,945	27,269	82.8	5,023	15.2
1977	31,713	26,105	82.3	4,816	15.2
1978	30,866	25,287	81.9	4,765	15.4
1979	31,224	25,462	81.5	4,903	15.7
1980	30,982	25,108	81.0	4,918	15.9
1981	31,319	26,262	83.9	3,924	12.5
1982	31,048	25,533	82.2	4,189	13.5
1983	31,190	25,564	82.0	4,495	14.4



CITIZENSHIP OF DOCTORATE RECIPIENTS

FROM U. S. UNIVERSITIES

DECLINE IN HUMANITIES, MATH SCIENCE PH.D.'S

Mr. **Early**. The Americans' participation in the Ph.D. programs is declining?

Secretary **Bennett**. In my own fields, there is some decline in the humanities, for example, but that decline was to be expected, because there was an enormous surge—a surplus. You can never have too many philosophers, well, maybe you can, but there was a tremendous surge of people getting Ph.D.'s in the sixties and seventies, so much so that there were a lot more Ph.D.'s than there were jobs. So that has diminished.

There is concern in some areas of math and science research.

VOCATIONAL EDUCATION BUDGET

Mr. **Early**. Vocational education, you are reducing it 51 percent from the 1985 level, and requesting $408 million. In the same breath, you tell us it is not going to have any adverse effect on vocational education programs.

Secretary **Bennett**. This is an area where the Federal Government's involvement is pretty marginal.

Mr. **Early**. The States are losing revenue sharing. It has been eliminated. Community Development Block Grants have been decreased.

Education is a top priority in my opinion, but not a top priority in this budget. You keep suggesting that we are going to cut vocational education by 50 percent, yet tell the mechanics and firemen that we are still concerned about them.

Secretary **Bennett**. Sure, we are not the main provider, nor should we be. The issue in vocational education is what is the best preparation for a job? What is the best kind of high school program of instruction?

There is increasing consensus, Congressman, that math and English, history, science—those courses for all students, whether they go on to college or get jobs—constitute the best pre-collegiate program, and there is increasing agreement on that. Plus there are, looking just at the Federal Government, there are other Federal sources for vocational education. Corporate involvement here is very significant. The Committee on Economic Development report—the report by the employers—said train people before they get jobs who can think and count and read and write and follow instructions and get up out of bed in time to get to the job, and we will train them in the specific tasks.

FINANCING A COLLEGE EDUCATION

Mr. **Early**. You suggest that the Federal Government is not the main provider. To every single member you said the Federal Government is not the main provider. Your background is Williams College, the University of Texas and Harvard. You can defend that, you certainly can.

Secretary **Bennett**. I didn't do it on Federal money.

Mr. **Early**. Fine. Maybe you didn't need Federal money.

Secretary Bennett. I didn't do it on my father's income, either. I had a partial scholarship, worked all the time, had three jobs, got out of law school, owed $13,000.

That was a lot of money. I don't want the portrait painted that I was a privileged, upper class kid, with costs paid all the way through for me. I didn't.

Mr. Early. I am not trying to suggest that. Someone who goes to Williams, Texas and Harvard is a little different from someone who goes to Worcester State College. What about the youngster from the oil-producing States who can't find three jobs?

Secretary Bennett. He may have to delay going to college for a year, keep looking for another job. You give me a hypothetical for which there are no options available. There are more options available.

You started with talking about your State. The Federal Government isn't the major player. Your Governor has asked for an increase in education spending because things are pretty good in education.

Mr. Early. He thinks education is a State priority, a people's priority. I think it is a priority.

Secretary Bennett. I do, too.

Mr. Early. The money you spend. We spend billions in health care. We don't need so many statisticians.

We have to say education is available to everyone.

Secretary Bennett. It is.

Mr. Early. Not with this budget. You are knocking out over one million students. You say they are going to be eliminated, or the amount of their grant is going to be reduced.

Secretary Bennett. They will get GSLs, or other aid possibilities. You've got to count all the sources for educational funding. When you count them all, we are spending enough on education in this country.

Mr. Early. If you say education is a priority, you have to mean it.

Secretary Bennett. I do.

Mr. Natcher. Mr. Hoyer?

ADMINISTRATION'S EDUCATIONAL POLICIES

Mr. Hoyer. Mr. Secretary, you are aware of an article written by your predecessor, Secretary Bell?

Secretary Bennett. He has written several.

Mr. Hoyer. "Educational Policy Development in the Reagan Administration."

Secretary Bennett. Oh, that; yes.

Mr. Hoyer. I have read that article. The newspaper report covering that indicates, and I am quoting from the newspaper account, not from the article, because he makes no mention of you in that article, but the newspaper article refers to you as quietly advocating phasing out of the Department of Education.

Is that an accurate description?

Secretary Bennett. No. Everything I have said about this, quietly, I have also said publicly, Congressman. You do not need a Department of Education in order for the American people to become educated, and we can prove that.

Mr. HOYER. That is not really the point, Mr. Secretary, of course you don't.

Secretary BENNETT. Okay, and I have not been doing one thing to seek its abolition, that is not my job.

Mr. HOYER. Is your position that we don't need the Department of Education, but it is here, and you won't do anything to abolish it, if the President doesn't do so?

Secretary BENNETT. It is here, I will try to make the Department as effective a force for education as possible.

Mr. HOYER. On page 2 of your statement, you outline with four dots, the important policies of the Administration. I would like to go through those with you, if I might.

Secretary BENNETT. Sure.

IMPROVING EDUCATIONAL QUALITY

Mr. HOYER. Although we spend $276 billion, and I have no reason to believe that is not an accurate figure, "A Nation at Risk" and other subsequent reports make clear this is the first priority in American education, improving its quality, and it is certainly an area in which Federal leadership can make a difference.

I take it from that that you mean there is a role for the Federal Government to play in increasing the quality of education at all levels?

Secretary BENNETT. Yes, sir.

FISCAL COMMITMENT TO IMPROVING QUALITY

Mr. HOYER. Now, does that consist of a financial commitment as well?

Secretary BENNETT. In part, yes, sir.

Mr. HOYER. Now what part, and what do you mean by in part?

Secretary BENNETT. I don't think one can say in general what part, because the determination of the Federal Government's responsibility in terms of dollars has—like any budget, must always be a function of facts and circumstances.

I have said a number of times before——

Mr. HOYER. Mr. Secretary, if I might, if you could respond in this context. I agree with you, and I have said this before, and some committee members know it here, I don't think the Russians are playing games with us, I don't think they are backing up.

I think we've got to be strong. I vote that way for the most part, when I agree that we are moving in the right direction. I think we ought to spend and must spend a lot of money on defense, that is a Federal responsibility.

You asked Congressman Obey if he thought the Russians were retreating. I think his answer to that question would be no. My answer to that question is no. I do, however, think that we are retreating in the face of A Nation at Risk.

Why do I say that? For the same reason that Cap Weinberger would tell me, irrespective of any efficiency studies, Packard Commission reports, et cetera, et cetera, that if we back up in numbers that we spend on defense, we are retreating. Now, that is the criteria that this Administration uses, Mr. Secretary, time after time after time.

If that is an accurate way to display a retreat or advance, why is it not accurate, Mr. Secretary, in the face of a 17-percent retreat in real numbers, and I would guesstimate probably somewhere in the neighborhood of 30 to 35 percent retreat, if inflation is factored in from 1981 to today, why is that not a retreat?

The point I was making, to capsulize, why is that not a proper criteria for the American public to use, for the group that you indicate in your statement says that quality education is a critical aspect of our national life.

Secretary BENNETT. Right, because to provide for the common defense, which means buying things like aircraft carriers and jets, costs money. To provide for a good educational product also costs money, but the analogy breaks down at that point. In defense, the more money you have, the more aircraft carriers you can build. We cannot say the more money you spend on education, the better product you have. It doesn't follow that way.

I can give you the large aggregate figures from the '70s, how we spent, yet the scores went down and down. If one spends time going into schools, and talking to people, and asking what is their per capita expenditure, you can see, that educational outcomes, quality outcomes are not in one-to-one correspondence with expenditures. Yes, you need a certain amount of money to provide your educational services. After that, it is a matter of other things, doing it right, spending efforts, homework, having qualified teachers, and so on.

Are we as a nation providing enough money to educate our children? The answer to that is yes, and the number is increasing. That was a more or less philosophical question you asked me.

Mr. HOYER. My experience has not shown that necessarily to be the case.

Secretary BENNETT. Only in the narrow historical sense that Ph.D. means Doctor of Philosophy. It doesn't promise, that is right.

Mr. HOYER. Doctor, I am now in trouble with all the Ph.D.'s in the world.

NON-FEDERAL EDUCATION EXPENDITURES

Chapter 1, if money is not the answer, what is? You indicate that we are spending more money. With respect to the object that Chapter 1 seeks to deal with, how much additional monies are being spent in private sector—excuse me—in the non-Federal sector on those objects? And I ask it in context, you are saying $276 billion is being spent in education.

Secretary BENNETT. Some dozens of millions of dollars in the context of Chapter 1.

Mr. HOYER. Doctor, rather than go through each one of them, outline the programs, Chapter 1, Chapter 2, impact aid, vocational education, bilingual education, adult and immigrant education, in those subjects, in light of the fact your testimony seems to reflect there is no magic with the Federal dollars, how many dollars are being spent and what product are we buying? And I would like to know the same as it relates to Federal dollars.

If we are spending commensurate amounts in other sectors, and therefore that is not a decrease, that will obviously support your premise?

Secretary **Bennett**. We will do as best we can. We can give you numbers showing trends in education expenditures, but the States don't break down their program funds the same way we do, so we cannot provide state program data.

[The information follows:]

Estimated Direct Expenditures for Education in the U.S.
(dollars in billions)

I. Distribution by Source of Funds -- Federal/State/Local Spending

The following table shows education spending in the United States by source of funds, as reported by institutions. The contributions by the Federal, State, and local governments, as well as other sources, are shown by dollar level and as a percentage of the total expenditures.

The table shows the steady growth in total education expenditures from 1970 through 1986.

At the same time that education spending nationally has been increasing, the Federal share as a percentage of these expenditures has been steadily decreasing. There was an increase in the Federal percentage in 1980, but it has decreased since then from 10.9 percent of the total to 8.7 percent in 1986. The non-Federal percentage share of education spending has increased reciprocally, from a combined share of 89.1 percent in 1980 to 91.3 percent in 1986. While the local and "Other" sources have varied with increases or decreases from one year to the next, the States show a steadier trend of increasing their percentage share of the total national expenditures.

Growth in Education Expenditures
(dollars in billions)

	Federal		State		Local		Other 1/		Total	
	$	%	$	%	$	%	$	%	$	%
1970	7.5	10.7	22.2	31.5	22.6	32.1	18.1	25.7	70.4	100
1976	12.8	10.5	44.4	36.5	34.6	28.5	29.8	24.5	121.6	100
1978	14.6	10.4	51.1	36.4	39.1	27.8	35.6	25.4	140.4	100
1980	18.6	10.9	64.9	37.9	43.2	25.2	44.3	25.9	171.1	100
1981	19.6	10.5	70.7	37.9	46.1	24.7	50.1	26.9	186.5	100
1982	20.0	10.0	76.3	38.2	50.7	25.4	52.8	26.4	199.8	100
1983	18.7	8.8	81.5	38.6	54.9	26.0	56.3	26.6	211.4	100
1984	19.7	8.6	87.5	38.3	59.6	26.1	61.8	27.0	228.6	100
1985	21.3	8.7	94.2	38.5	63.1	25.8	65.8	26.9	244.4	100
1986	22.6	8.7	100.8	38.7	67.3	25.9	69.5	26.7	260.2	100

Source: National Center for Education Statistics, 1/85.

1/ "All Other" includes a variety of private sources such as tuition and fees, gifts, grants and endowment earnings.

II. Education Expenditures in the U.S. by Source of Funds and Educational Level

The following table shows the most recent two years of education funding, 1984-85 and 1985-86, by level of education as well as by source of funds. Direct education expenditures by each source of funds has increased for all levels of education. However, changes are occuring in the percentage share derived from each source at the different levels of education. Federal expenditure as a percentage of total spending fell at the elementary and secondary level, but increased at the postsecondary level. The State share increased for both elementary and secondary and postsecondary education, while the local share decreased for elementary and secondary but remained stable for postsecondary. For all levels of education combined, the State and local share of funding increased, all other non-Federal funding decreased, and the Federal share remained stable.

Looking at the elementary and secondary level, of the $10.4 billion increase in funding between these 2 years, from $148.9 billion to $159.3 billion, approximately 46 percent of the increase came from State spending, 40 percent from local spending, 9 percent from all other non-Federal sources, and 5 percent from Federal sources.

This compares with the increase of $15.8 billion, from $244.4 billion to $260.2 billion, for all levels of education combined, where States expenditures made up 42 percent of the increased spending, local sources 27 percent, all other non-Federal sources 23 percent, and Federal Government spending 8 percent.

At the postsecondary level overall spending increased by $5.4 billion between the 2 years, with increased State funding making up 33 percent of the total increase, local spending 2 percent, all other non-Federal 50 percent, and increased Federal spending representing 15 percent of the overall increase. 3/

Education Expenditures, By Source and Level 1/
(dollars in billions)

	1984-85 2/		1985-86 2/	
	Dollars	Percent	Dollars	Percent
Source of Funds by Level:				
Elementary and Secondary				
Federal	$9.4	6.3%	$9.9	6.2%
State	65.7	44.2	70.5	44.3
Local	61.0	41.0	65.1	40.9
All Other	12.8	8.6	13.8	8.6
Subtotal, Elementary and Secondary	148.9	100.0	159.3	100.0
Postsecondary				
Federal	11.9	12.4	12.7	12.6
State	28.5	29.9	30.3	30.0
Local	2.1	2.2	2.2	2.2
All Other 3/	53.0	55.5	55.7	55.2
Subtotal, Postsecondary	95.5	100.0	100.9	100.0
All Levels				
Federal	21.3	8.7	22.6	8.7
State	94.2	38.5	100.8	38.7
Local	63.1	25.8	67.3	25.9
All Other	65.8	26.9	69.5	26.7
Total, All Levels	244.4	100.0	260.2	100.0

Source: National Center for Education Statistics, 1/86.

1/ Data revised from previously published figures. Because of rounding, details may not add to totals.

2/ Projected.

3/ Note: Federally supported student aid that goes to higher education institutions through students' tuition payments is shown under "All Other" rather than Federal. Such payments would add substantial amounts and several percentage points to the Federal share. For example, approximately $7.5 billion from loans guaranteed by the Federal Government was spent on tuition and fees by students in 1984-85, which amounts to about 3 percent of total education expenditures for that year. Other Federal programs not included in this table because they do not support regular educational institutions would also increase the Federal share. Typical examples of these payments would be Federal support for libraries and museums.

ELEMENTARY AND SECONDARY EDUCATION FUNDING

Mr. Hoyer. Emphasizing elementary—and I will have to end after this question—emphasizing elementary and secondary education because of the critical importance of education in early years. As you may know, I believe the most critical dollars that we spend are spent in the first two to three years, including Head Start, prekindergarten program, and getting that kind of foundation, these children can take care of themselves later down the road.

What are we doing to emphasize elementary and secondary education as reflected in this budget?

Secretary Bennett. Look at the budget; the basic thing you see is that the major reductions in this budget are in the area of higher education, and most of the programs which are directed at the youngest children, Chapter 1, bilingual education, Chapter 2 have been held at level funding or very close to level.

Mr. Hoyer. I know we don't agree philosophically, and it is very difficult to get at, if you spent the money more efficiently, therefore we don't need more dollars.

Cap Weinberger does not adopt that, and neither does Sam Nunn, and Les Aspin. In Chapter 1, it seems to me, Doctor, we are spending substantially less money than we would spend in 1980, factored for inflation, just to stay even; is that correct?

Dr. Carnes. Yes, I believe that is.

CHILDREN SERVED BY CHAPTER 1

Mr. Hoyer. This is very frustrating Doctor and you can appreciate that frustration to hear Cap Weinberger, you can't go on. I am glad we brought inflation down. We are not staying even however. We are falling in my opinion 20 to 25 percent behind in Chapter 1, this is not emphasizing elementary education. How many less students will we serve in 1986 than we were able to serve in 1981?

Secretary Bennett. We can give you those figures. There is some pretty good evidence that despite the fact that these figures are not—in this program, and some of the others—not adjusted for inflation, that there is some pretty good evidence of overall improvement by our youngest children in the elementary grades. We are doing better than we have done before.

Mr. Hoyer. In terms of quality of individuals dealt with?

Secretary Bennett. General overall education results.

[The information follows:]

NUMBER OF CHILDREN SERVED BY CHAPTER 1

	Number served
Year:	
1981	4,866,108
1982	4,731,351
1983	4,846,050
1984 [1]	4,800,000–5,000,000
1985 [1]	4,800,000–5,000,000
1986 [1]	4,800,000–5,000,000

[1] Actual figures are not available beyond 1983. The figures for 1984 through 1986 are strictly estimates. Local school districts, not the Federal Government, determine the actual number of children receiving services in any given year.

LEAS DETERMINE NUMBER OF CHILDREN SERVED

Mr. **Carnes**. The number of children served by our Chapter 1 program is going to stay constant or increase slightly over the 1986 level. These are decisions made by local school districts as to the number of kids that they are going to educate with these programs. Even with the steady level of Federal appropriations, the State level of funding for this program has gone up immensely.

Mr. **Hoyer**. If you had a thousand dollars five years ago, and you have a thousand dollars this year and you could make a decision how many kids you'd serve, that is not a fair thing to say, they don't have a decision on that unless they have Federal dollars to——

Dr. **Carnes**. No. A locality may elect to adopt an approach to this program that will enable them to serve greater numbers of kids with the amount of resources that they have available. Contrariwise, they might, with their funds, adopt a procedure which would enable them, even with increased funds, to serve fewer kids.

Mr. **Bauer**. Congressman, in an effort to help them do that, the Secretary has——

Mr. **Hoyer**. Help them do what?

Mr. **Bauer**. To reach more children with the same amount of funds. We have a program to identify extremely successful low-cost Chapter 1 programs; and when we do identify them, we do disseminate them around the country.

Mr. **Hoyer**. The chairman's tolerance is probably running out on me.

Mr. **Bauer**. Congressman Hoyer, we have had this discussion for a couple of years and we keep making the same points to each other. I don't think you can look at the Administration's contribution to education by only looking at our budget, and particularly when you keep in mind 90 percent of the spending is at the State and local level. That is, 90 percent being spent at the State and local level is being used to purchase services, instead of the four years previous to us when the States could not raise their spending fast enough to keep up with runaway inflation.

Mr. **Hoyer**. This administration has been brilliant in bringing down oil prices. I like the way you guys have done that.

Mr. **Bauer**. We think we have done a good job in that area with exploration and the other things that have caused the market to react in the way it has. These things have consequences of policies.

Mr. **Hoyer**. Gary, the economic realities have helped, no doubt about it.

Mr. Chairman, are we coming back this afternoon?

Mr. **Natcher**. Yes, we are.

UNIFORM REDUCTIONS IN STUDENT GRANTS—SAVINGS

Mr Secretary, for Pell grants, what is your reaction to a procedure which would make a uniform reduction in all student grants? For example, you proceed to calculate awards under full funding and then reduce each grant by $100. How much would this save in program costs?

Secretary **Bennett**. I am sure Dr. Carnes anticipated that, but I would be interested to take a look at it, Mr. Chairman.

Dr. Carnes. That would save $290 million, Mr. Chairman.

DEPARTMENT ORGANIZATIONAL CHANGES

Mr. Natcher. Suppose you take a good look, Mr. Secretary. Last year you abolished the National Institute of Education and the National Center for Statistics. Do you have any other major organizational changes in mind this year?

Secretary Bennett. Not at the moment. Gary?

Mr. Bauer. The Secretary is not contemplating anything, I believe, in the program area.

Secretary Bennett. I asked if you were contemplating.

I am not contemplating anything. Gary, are you?

Mr. Bauer. I am not either, Mr. Chairman.

Secretary Bennett. We made a number of changes, but most of the major administrative reorganization changes I wanted to make right away. I don't want to be precluded from others.

Mr. Bauer. Mr. Chairman, if I may add, there may be some non-program areas where we may do some reorganization, but nothing that will affect the delivery of services.

ASSESSING THE FEDERAL ROLE IN EDUCATION

Mr. Natcher. Last year, Mr. Secretary, you indicated that you were planning an assessment of the effectiveness of the Federal role in education. Can you share with us at this time some of the major findings from this assessment?

Secretary Bennett. Yes, sir. The study that the President asked me to conduct was coordinated through Gary's staff, as Deputy Under Secretary, and now Under Secretary—some of the major results of that went into this budget proposal which you see—particular details, particular provisions. One of the things that has become very clear to me after one year is the degree to which the Federal Government could well improve its effort in informing the American people about the answers to the largest and most important questions in education—how much are we doing as a Nation, how much are we spending, and what are we getting for that dollar.

On the basis of 200 years of educational experience, we know what things are effective, so I have stressed from day one, and I feel confirmed in the experience from last year, the Federal Government's responsibility as the keeper of reliable information. If I were to define the role in one sentence it would be this: Except for those special areas in programs, such as those defined in our budget, where we think a particular funding program at the Federal level is appropriate, and we believe in that role and that responsibility, the major responsibility of the Federal Government is to pay attention to what is going on in American education, report to the American people about that, and recognize when the American people are presented with the right facts and circumstances, they will act.

They will act intelligently and responsibly to fix their own schools, colleges and universities. They will act through their state legislatures and other bodies to provide the funds needed for that.

Mr. Natcher. Will the States and school districts require additional funding to carry out the findings contained in the reports?

Secretary **Bennett**. Not for the most part, no, sir.

FEDERAL EDUCATION POLICY

Mr. **Natcher**. According to a published statement by former Secretary Bell, there was no "comprehensive written policy adopted to guide legislative and administrative initiatives in the area of education."

Do you think it is necessary to have a formal policy statement on education?

Secretary **Bennett**. I don't think there needs to be a "magna carta" of Federal education policy but one ought to be able to interpret a budget document such as ours as a statement of principle and priority. The Department of Education should have at least a coherent view of education and its own role, a view that is fairly steady, fairly whole, that suggests what is appropriate for the Federal Government and what is not.

Over the course of the last 14 months, there have been criticisms from various sides, and there has been a fair amount of praise from members about our policies, but I don't think we can be faulted by saying it isn't clear what we mean. We have tried to be very candid and direct about our views in terms of educational policy. I laid out 10 points when I became Secretary that I thought were the key priorities for education, and I looked at them the other day and they still are. I think that we have stuck pretty consistently to those 10 over the course of the last 14 months.

TEXTBOOK REVIEW

Mr. **Natcher**. What activities are now taking place within the Department with respect to textbooks and other instructional materials used in public schools?

Mr. **Bauer**. Well, first, Mr. Chairman, the Department has a legal restriction passed by the Congress that keeps us out of the business of creating textbooks, or mandating certain textbook use around the country. I have, and others in the Department have on occasion taken a look at textbooks to see what kind of job is being done by the major publishers in the country, and the result has been several debates about issues like the "dumbing-down" of textbooks.

The examination I made of textbooks was to look at the way they were treating some events in 20th century history, and in a lot of our world history books we are doing an inadequate job in giving our students all the information they needed to really have the kind of knowledge that they need in our educational system. I gave a speech on that issue a month or so ago that generated some public comment. But other than that, we are not doing anything else in a formal way in the textbook area.

Mr. **Natcher**. No guidelines were issued to States or school districts in regard to selection of textbooks?

Mr. **Bauer**. No.

TEACHER SUPPLY

Mr. **Natcher**. According to the Department's 1985 report on the condition of education, the supply of new teachers is projected to meet less than 60 percent of the demand within the next five years. Do you see this as the most serious national problem in elementary and secondary education?

Secretary **Bennett**. No, not if we respond correctly. Several studies about teacher supply, some of the reports we saw in 1984, 1985 suggested that this problem would be very severe. There is some evidence now it may not be nearly so severe. In the last two, three years we have seen a dramatic increase in the number of college freshmen declaring an interest in teaching. In the fall of 1985, the number of students declaring an interest in a career in teaching was greater than the number of students declaring an interest in a career of computers. This is for the first time in about 8 or 10 years.

Second, States are reviewing the qualifications, and regulations and laws they have pertaining to who can become a teacher, and I have been a very strong advocate for the alteration of certifications. Obviously, it is a State responsibility but if we will open up the profession to all qualified people, we will not have a teacher shortage. In many States we have requirements which teachers themselves do not regard as sensible.

We limit access to the teaching profession by making people who are going to be teachers walk through a series of courses which most teachers say at the conclusion of those courses they would have been better off without, and we wonder why we don't have enough people going in. Even if we don't change State rules and laws, the situation will be better because of the increasing number of people who have declared an interest in going into teaching.

CHAPTER 1 LEGISLATIVE PROPOSAL

Mr. **Natcher**. What is the current status of the legislation concerning the Chapter 1 voucher proposal?

Secretary **Bennett**. We had a hearing before Congressman Hawkins' committee, and they are considering the merits of our proposal now and will be making a recommendation in the near future.

EFFECT OF CHAPTER 1 VOUCHER PROPOSAL

Mr. **Natcher**. Wouldn't the voucher proposal cause a drastic change in the basic concept of Chapter 1, which is to provide supplemental services to educationally deprived children?

Secretary **Bennett**. No, sir, it will make parents more active agents in the determination of what will be the most effective supplemental educational services for those children.

Mr. **Natcher**. In effect, voucher payments would amount to Federal subsidies for general operating expenses?

Secretary **Bennett**. Under our proposal, a parent could request Chapter 1 funds to be used to pay tuition at a school. We do not think that will in any way be the major use or predominant use or largest use of those funds. Of those parents who choose a voucher, many will use it for buying discrete educational services themselves.

1985 SUPREME COURT DECISION ON CHAPTER 1

Mr. **Natcher**. What has been the effect of the 1985 Supreme Court decision which forbids the use of public school teachers in providing Chapter 1 services in private schools?

Secretary **Bennett**. It has not been a good effect educationally, whatever its constitutional merits, which are themselves questionable, I think. That decision has, in our best estimates—we can't say for sure—affected something between 50,000 and 70,000 students. These students are still not receiving or are receiving less than they should be receiving—still not receiving the educational services to which they are entitled because of this decision.

Mr. **Natcher**. Mr. Conte.

PROBLEMS WITH GRANT AWARDS PROCESS

Mr. **Conte**. We are troubled up here by the problems you are having in your grant office. A number of times this year grantees have been assured of an award long before the process has been completed. I get the feeling whoever is doing the negotiations doesn't know what the process is.

I have discussed this with the new Assistant Secretary. She is very capable and you made a good decision putting her on board.

I don't mean to be beating you over the head with this, because you and I have talked about this before, but where is the trouble? Is it going to take money or people to fix it? Would some good, strong instructions do the trick? We don't know about these awards until we read about them in the newspaper.

Secretary **Bennett**. Yes, sir, a fair question. It will take the exercise of responsible leadership. I couldn't agree with you more in the confidence in our new Assistant Secretary, Frances Norris, and she knows of your concern.

Sometimes the system just breaks down. When I got to the Department of Education, I found there were some buttons I was pushing, and I found out later they were not connected to anything. We are becoming a more responsible and responsive agency. One of the things we found, our staff reports, is that you talk to an applicant over the phone, and you are encouraging, and say things are moving along well, and they may take that as an announcement that they have won. Some will even go so far as to put it in the newspaper. We will try to improve this process, Mr. Conte.

It is an embarrassing thing, I agree.

Mr. **Conte**. I appreciate it.

In all the years I have been here, this is the first time, and it is the only agency where we are having difficulty.

Secretary **Bennett**. It is an odd place in some ways.

Mr. **Natcher**. Mr. Roybal.

Mr. **Roybal**. Mr. Chairman, I will not be able to return this afternoon, and I have a list of questions that I will submit for the record.

BILINGUAL EDUCATION STUDIES

I really am interested in these identified studies that you read and based your decision on with regard to bilingual education. I would ask the staff to be sure to call them to my attention so I can also read them.

Secretary BENNETT. Sure.

HOW SECRETARY BENNETT FINANCED HIS EDUCATION

Mr. ROYBAL. Your testimony with regard to the three jobs that you had while you went to Harvard and to other schools, where no doubt you paid tuition, room and board, clothing, transportation. I would like to know what your formula was, and maybe sometime we can discuss it.

Secretary BENNETT. I got through on combined aid. I had partial support from parents for college, and a couple of jobs on campus, and summer jobs, and then I was self-supporting in graduate and law school.

Mr. ROYBAL. Did you get a scholarship of some kind?

Secretary BENNETT. I got teaching fellowships.

Mr. ROYBAL. Your education was subsidized, then.

I thought what an amazing feat that must have been.

Secretary BENNETT. The main thing in law school was borrowing, loans.

Mr. ROYBAL. I understand. Thank goodness there was some help somewhere down the line.

Mr. HOYER. Would the gentleman yield?

I borrowed for one semester myself. I borrowed under the NDEA program. Did you borrow under the same program?

Secretary BENNETT. I might have borrowed one loan under that, it is possible. There was one loan.

Mr. HOYER. Dr. Giordano, the doctor for President Reagan, pointed out that his medical education was obtained through the use of Federal loans.

Secretary BENNETT. Well, we have Federal loans. There are a lot more available now than when we were in law school.

Mr. ROYBAL. I don't think there is a man alive who can claim he did it all himself.

Secretary BENNETT. No. The good thing is, there is not just one source of funds.

Mr. NATCHER. The committee will now recess until 2 o'clock.

AFTERNOON SESSION

DECLINING FEDERAL BUDGET FOR EDUCATION

Mr. NATCHER. Mr. Secretary, the President's budget documents project a steady decline in budget authority for the Department of Education, from $19.1 billion in 1985 to $14 billion in 1991. What are the implications of a declining budget for education generally?

Secretary BENNETT. The declining Federal budget for education—the implications of that would depend upon the question that deals with the larger realities, which is; what are the available funds for education from other sources. If the whole pool was shrinking, we all might be alarmed, but we have some good reason to think that the possibilities are good for the absorption of reductions here. Plus, other reforms that may or may not take place in education give us generally an optimistic picture.

Mr. NATCHER. Mr. Conte, I yield to you.

PELL GRANTS AND FEDERAL LOAN PROGRAMS

Mr. CONTE. Mr. Secretary, this morning when I asked you about the cuts in the Pell grants, and how many students would get cuts in their grants, and the numbers that would get reduced grants, you mentioned that they could always get Guaranteed Student Loans to make up for the difference. Yet I was looking, during the lunch period, at your own data, and page 47 of your budget documents shows that the average new loan is $2,347, compared with a loan limit of $2,500.

So, from your own data in the book, it would seem clear that the Guaranteed Student Loans are not the answer to absorb the cuts of hundreds of dollars that are going to be made. Do you have any other suggetions?

Secretary BENNETT. Dr. Carnes.

Dr. CARNES. Mr. Conte, the awards that are going to be eliminated under our proposals are going to be smaller awards anyway, because we are squeezing from the very top end of the income scale. So those awards are going to be smaller to start with.

In addition, beyond the GSL program, we have PLUS loans, and we are broadening our proposals in the area of PLUS loans, and also proposing the Income-Contingent Loan program. So we think that the squeeze on the Pell grant program—there is still going to be room in the GSL program to handle it. If not, people can go into other programs.

I might mention another point. We still think that 40 percent of the students in this country are going to get Federal student aid, and student aid eligibility will still be available for families typically with incomes——

Mr. CONTE. Are you talking about Guaranteed Student Loan?

Mr. CARNES. Yes; that is, 93 percent of the typical families in this country are eligible for GSL loans. The average Pell grant will get larger.

Mr. CONTE. Take a look at Insert 1, page 91-A. It reads: family income of $20,900, full funding $1200; and after sequestering, $675; family income of $22,800, full funding, $1,000, and after sequestering, $325; family income of $24,400, $800 down to zero.

Dr. CARNES. Again, that particular example deals with a relatively low-cost institution, and would not be the same if the cost of education were higher, say if it were $10,000 up to $15,000.

Mr. CONTE. Those are the kids that we are worried about, the kids at the University of Massachusetts, and places like that.

Dr. CARNES. Yes, sir, I understand.

USE OF COLLEGE HOUSING LOAN FUNDS FOR IMPACT AID

Mr. CONTE. I was intrigued by the Department's impact statement on the $20 million supplemental for the Impact Aid disaster assistance program that the Committee has reported out. In that impact statement, you said that instead of appropriating new money for this supplemental, we ought to take it out of the College Housing Loans program, from the excess of program income from loan repayments over program expenses in the revolving fund, that would otherwise revert to Treasury and be used to make a small dent in the long-term debt that originally set up the revolving fund.

Is it now your position that any excess of program income over expenditures does not need to be returned to Treasury, but instead can be used to finance funding needs in other programs?

Dr. CARNES. A fair question, Mr. Conte. The only program that has statutory authority to borrow in this fashion is the disaster assistance portion of the Impact Aid program, so those particular funds in the College Housing Loans program could not be borrowed or used for other costs, because no other programs have that legislative authority, just Impact Aid.

Mr. CONTE. The only program? You couldn't do it for Pell grants?

Dr. CARNES. No, the Pell Grant program does not have the authority to borrow from other programs.

Mr. CONTE. We could do that through legislation?

Dr. CARNES. Congress could do that.

Ms. CHRISTENSEN. You could do that through appropriation language, Mr. Conte, but there would not be enough money in the College Housing Loan program to take care of the Pell Grant situation.

Mr. CONTE. What is the current estimate?

Dr. CARNES. Forty-one million dollars is available in the College Housing Loan program. That is what we expect to come in in the remainder of the year, sir.

Mr. CONTE. Last year it was $120 million.

Ms. CHRISTENSEN. For College Housing Loans, the total estimated to be available this year is $198 million. We are going to need $99 million for operating costs that we cannot control. That leaves $57 million which we will have to use for new loans, if our rescissions are turned down by April 14, and we have planned to use $41 million to offset, to make payments toward eliminating our debt to the Treasury, which is at $2.6 billion.

Mr. CONTE. Even if we were to go along with taking the supplemental for Impact Aid out of College Housing, isn't it a requirement that money borrowed to pay for the disaster assistance program has to be repaid?

Dr. CARNES. It is not a requirement. The legislation does require that it be reported to Congress that we have done this. In the past, this has merely invited a supplemental. We have looked at our options and are reporting that this borrowing does not, in our view, require the enactment of a supplemental.

Mr. CONTE. I see you have done your homework, because a couple of years ago you requested a supplemental to repay money that had been borrowed from the Higher Education Facilities account to pay for unexpected needs in the disaster program.

Dr. CARNES. Yes, sir.

TITLE VII FACILITIES CONSTRUCTION REGULATIONS

Mr. **Conte**. While we are talking about postsecondary academic facilities programs, let me just raise this one about the Title VII construction program. In fiscal year 1985 we appropriated, for the first time in about 10 years, $28 million for Title VII, and then $10 million in fiscal year 1986. In the fiscal year 1986 conference report, we indicated our concern that no regulations to spend this money had been promulgated, and we directed the Department to issue regulations within 60 days. Have those regulations been issued yet?

Dr. **Carnes**. Next week, Mr Conte.

Mr. **Conte**. Very good.

VOCATIONAL EDUCATION

Mr. Secretary, for an as down to earth kind of a guy as you try to be, there's one thing that surprises me, which is the lack of emphasis that I perceive under your leadership in vocational education. For one, it appears that vocational education in no way figures in your published list of priorities for the Department. Tell us what your priorities are, Mr. Secretary, and why preparing young people for constructive and productive roles in our Nation's economy is not one of them.

If there is anything that I find is a shortage in the labor market, it is skilled people that have learned their basic skills in vocational education.

Secretary **Bennett**. I haven't singled out vocational education for special emphasis, any more than I have singled out precollegiate education for special emphasis. The stresses we have laid for the past 14 months have been about improving the level of American education, talking about the curriculum, teachers, homework, all the things that we know are effective and that work. And I think that this kind of improvement will benefit all students moving on to the labor force or on to college.

I have said I guess a hundred times since I have been on the job that training and education for a job is as important as any other kind of training. In fact, I made a speech in which I said that this kind of training should be made a part of everyone's education. Quoting John Dewey, he said, "It is not enough for man to be good; he's got to be good for something." I don't have much regard for the people who have contempt for people who know how to do things. There is a serious problem of competence in our society, a shortage of people who can get the job done. So I am very much behind it.

Again, it is the question of what we do in terms of the best preparation of students for jobs, careers, or college, and there again, I would refer to what I said this morning about a consensus that is emerging, partly as a result of the CED—Committee on Economic Development—report, which talked about the need for basic skills, basic understanding as a result of the high school curriculum and the importance of on-the-job training.

What we have laid stress on is that, in talking about our three years of math or science, that there ought to be several routes in which one can accomplish it; either through the study of algebra—

geometry—pure math studies, or the mathematics as it arises in technology. We regard vocational education not as the Avis of education, not as a second-class education, but with the same importance as any other education.

The importance that we attach to training for jobs and careers is not the same thing as what the appropriate level of the Federal expenditure is, in our view.

Mr. **Conte**. I am pleased to hear that. My vocational education has never hurt me.

Secretary **Bennett**. I visited a number of schools in our country and usually there are a few visitors with me. The first visit I had to a vocational education class room, I had a particularly special visitor, the President of the United States was with me. I guess I should say I was with the President of the United States—I and several others accompanying him. We spent a good half hour in a drafting class, going around the tables where the students were working, right out here in Alexandria.

Mr. **Conte**. How long has it been, Mr. Secretary, since there has been a confirmed Assistant Secretary for vocational and adult education, and why hasn't anyone been nominated for the position?

Secretary **Bennett**. About six months, but I expect that we will see a nomination from the President quite soon. It has not been because we have been dragging our heels in terms of trying to get someone in that position.

Mr. **Conte**. I am pleased to hear that.

Mr. **Natcher**. Mr Dwyer.

Mr. **Dwyer**. Thank you, Mr. Chairman.

DECLINING DROPOUT RATE

Carrying on from Mr. Conte's question, last year we discussed the serious dropout rate in this country. What can you report after a year on the job? Is it up or down?

Secretary **Bennett**. The data that we saw on the wall chart, the State-by-State comparison of education achievement and the dropout rate, it suggests that the dropout rate is going down, improving; and this was in something like 35 states.

Dr. **Carnes**. In thirty-five States, the dropout rate has declined in the last year.

DROPOUT PREVENTION PROGRAMS

Mr. **Dwyer**. Could you specify what you have done in the last year to bring this about?

Dr. **Carnes**. We have a number of efforts addressing dropout situations. Dropout activities are funded through Chapter 1, through Bilingual Education, through Indian Education, and dropout projects can be supported by local school districts using their Chapter 2 discretionary funds. If they have perceived that a dropout problem in that particular district is a significant one, then they can use the Chapter 2 funds for those resources.

Secretary **Bennett**. We are learning all the time more about the dropout problem. The dropout problem is discussed in our little booklet, "What Works." We have a chart that talks about the reason for dropouts in American schools. The more we learn, the better fix we will be able to get on this question.

In the end, the best dropout prevention program that we know of is support at home, either from one's parents or another adult, and an effective school. It was interesting to a lot of people to see that the school that tended to make a higher demand tended to have a higher dropout rate than the more informal schools.

Mr. **DWYER**. I read an article about the State of Michigan, where the dropout rate has dramatically decreased because of preschool education. Does your budget speak to the benefits of this type of a preschool program?

Secretary **BENNETT**. The Ypsilanti study. We don't have a particular program that follows the direct experience of the Ypsilanti study. There are lots of studies circulating, and some disagreement about the implications of such programs. But other than the things Dr. Carnes mentioned, in various provisions, and through Chapter 2, school districts have great flexibility. They can adopt whatever methods they choose.

Mr. **DWYER**. Do you feel that this budget you have before us is going far enough to try and reduce very large dropout problem we have in this country?

Secretary **BENNETT**. Yes, sir, I think it is. The dropout situation is a function of local circumstances. This is not a problem you can throw money at. It is much more a question of what the community of adults, whatever community of adults you have in that particular area, is doing about the dropout program, or the dropout problem. It is not one that we can fix by writing a check.

Mr. **DWYER**. How does our dropout rate compare with other industrialized nations?

Secretary **BENNETT**. I don't have the figures at my fingertips. I wouldn't want to generalize per se.

Mr. **DWYER**. I was hoping you could provide some sort of a generalization.

Secretary **BENNETT**. Based on memory here, we are higher than a lot of countries; that is, we have more people drop out, as we are lower in achievement than a lot of countries.

Mr. **DWYER**. Very much higher?

Secretary **BENNETT**. I would have to get those figures to you.

[The information follows:]

COMPARATIVE ENROLLMENT RATES

Young persons in the United States remain in school longer than do those in most other countries. The enrollment rates of persons 15 to 18 are higher in the United States than in the United Kingdom, France, West Germany, The Netherlands, and Canada. In recent years, only Japan had a higher enrollment rate among older teenagers than did the United States. Enrollment rates in many European countries have increased during the past 10 years, while those in the United States have not changed significantly; but, the enrollment rates in the United States were still higher during 1980.

It is not possible to compare aspects of the educational systems (such as "dropouts" from the school system) from one country to another since educational practices differ so greatly. School enrollment rates of full time students in academic school systems, such as those supported by local school agencies, provide the most reasonable comparison of the holding power of school systems in various countries. Young persons who do not continue with regular school systems in many European countries may be placed in Government sponsored vocational training programs.

Some comparative enrollment rates are listed below for boys aged 15-18 years in 1980 who are enrolled full-time in public institutions. The table illustrates that among the United States and the five other industrialized countries listed, the United States had a higher percentage of each age group enrolled full-time in a public institution in every age group except one. The United Kingdom shows a 100 percent full-time enrollment rate for 15 year old boys, whereas the United States had a 98.3 percent enrollment rate. The percentage of each age group enrolled full time decreases with age for every country with one exception; West Germany shows a slightly higher enrollment rate for 18 year olds than 17 year olds.

1980 Enrollment Rates of Boys Aged 15 to 18 Years Old

Country	15 years old	16 years old	17 years old	18 years old
United States	98.3	94.7	86.7	54.4
United Kingdom	00.0	38.8	25.3	16.8
France	96.8	74.4	55.4	37.4
West Germany	85.5	59.8	38.3	39.8
Netherlands	97.0	91.5	71.8	51.8
Canada	---	89.7	71.6	42.2

Source: "Education and Training", Statistical Bulletin, EUROSTAT, Luxembourg; March 1984; and Organization for Economic Development and Training, Educational Trends in the 1970's, Paris, 1985.

DRUG ABUSE PREVENTION AND EDUCATION

Mr. **Dwyer**. On one of my other subcommittees, we appropriate funds for the FBI and the drug enforcement program. Although a lot of money is spent on drug enforcement in this country, the continued high demand for drugs is hampering our efforts. Testimony this year showed that some of the nations that are most guilty of being the suppliers of these drugs in effect say that there is a consumer problem in the U.S., and apparently the emphasis now is on some sort of an educational program to reduce the consumer market. Can you tell me what your Department is doing in this regard?

Secretary **Bennett**. As a Federal Government, we are spending $1.7 billion on drug abuse prevention education. Our Department is doing several things, funding the Alcohol and Drug Abuse Education program, and preparing another book on what works in drug abuse education. I am planning several efforts with my discretionary funds in this area. You are right, a lot of the thinking, sir, is directed towards drug education. But we have reports that we are particularly interested in, and given some of the data that we have recently received, in many communities the drug problem—or some communities—the drug problem is far outpacing the ability of any educational programs to keep up with it.

There was a story in the New York Times, in one community in New York the cocaine problem is so serious they didn't think the education program worked. It has to be law enforcement.

I traveled last week, and at each stop I talked to police officers, undercover, some of them, and I talked to them about this problem in the context of the schools, and from what they reported and what we read, although people are talking about the importance of education, we had better put law enforcement first and foremost as our priority. Otherwise it will be too late.

ALCOHOL AND DRUG ABUSE CENTERS PROGRAM

Mr. **Dwyer**. How much is the Education Department spending in this current year?

Secretary **Bennett**. For the entire country?

Mr. **Dwyer**. Your Department.

Dr. **Carnes**. Three million for the Alcohol and Drug Abuse Centers program.

Secretary **Bennett**. I think that is enough, given our budget and other circumstances.

Mr. **Dwyer**. I wasn't speaking about your budget. I am talking about having an effective educational program and having some impact on this consumer market.

Secretary **Bennett**. Sure, we are developing model programs, which is a good use of the funds, which can be replicated elsewhere, but there are many other sources of funds for this.

Mr. **Dwyer**. Give us some idea how that money will be drawn down.

Ms. **Christensen**. Basically, Mr. Dwyer, that program is to provide training centers around the country. Those centers, in turn, train teams from various local educational agencies made up of parents, students, teachers, and administrators to go back and work with local communities, and they in turn train others. Given it is a very small amount, we reach a very small percentage of the total school districts, but there is a multiplying effect there. And as the Secretary indicated, there are some models that have developed and been disseminated as a result of it. We also have a national center that provides technical assistance to these districts and other LEAs on this problem.

Mr. **Dwyer**. Is there such a training center in New Jersey?

Ms. **Christensen**. I would have to get the list.

[The information follows:]

ALCOHOL AND DRUG ABUSE EDUCATION PROGRAM

Regional Training Centers: Sayville, New York; Coral Gables, Florida; Chicago, Illinois; San Antonio, Texas; and Oakland, California.

National Data Base and Program Support Project: Amherst, Massachusetts.

EFFECTIVE DRUG ABUSE EDUCATION PROGRAMS

Mr. **Bauer**. Congressman, in this area of educating on drug abuse, and so forth, we have looked at some of the course materials that have been used in schools around the country, as has Carlton Turner at the White House. In many of these courses they have contributed to the problem in that they have sent a muddled message on exactly what kind of conduct they want from our children.

We need to be very clear about the kind of message we are trying to send, and not send a message that this is a matter of individual choice, that we all take drugs of one form or another.

Secretary **Bennett**. A drug education program, the best program I have heard about is in East Side High School in Paterson, New Jersey, because of a man named Joe Clark, the principal there, who said there will be no more drugs in the school and suspended 300 pushers from the school, and since that day has had no problems.

Mr. **Dwyer**. That is an enforcement program rather than an education program.

Secretary **Bennett**. Pretty good education, too.

Mr. **Dwyer**. I understand. There is nothing that will educate a person more than having someone put a pair of handcuffs on them. Did you spend any of your $3 million on that program?

Secretary **Bennett**. No. I asked Joe Clark what he would do with the money. He said, "I don't want your money." He said, "I need the right kind of adults standing behind me on the school board."

Mr. **Dwyer**. Would you advocate that throughout the country?

Secretary **Bennett**. It is the best. As Clark and the undercover police officers pointed out, there is very little you can teach a lot of these kids about drugs. They know more than we do.

Mr. **Dwyer**. Did it transfer the problem out to the street?

Secretary **Bennett**. Clark said there are certainly problems in New Jersey in terms of drugs, but his concern was to get them out of school. When I mentioned the statistics that trouble me, one of the statistics was that cocaine use has doubled for high school seniors, and we have some informal studies, telephone hotlines, one that tells us 53 percent of these kids said they bought their drugs at school. That seems to me to be intolerable.

Mr. **Dwyer**. Do I understand you to say your colleague is developing a program in the White House?

Mr. **Bauer**. He examined this problem. They looked at the drug curricula which found its way into the schools over the last 20 years, and it left a lot to be desired because of the unwillingness to talk about a value approach to the issue.

Mr. **Dwyer**. Do you think a program can be developed?

Mr. **Bauer**. I am sure that there are many efforts underway to do just that. I come down the same place the Secretary is coming down here: I don't think in many cases that the child is unaware of the ramifications of trying drugs. There have been quite a few studies in this area, not only on drug abuse but other measurements of pathological behavior among young people—youth suicide, homicide rate, drunk driving, et cetera, and there is a public policy dilemma because all of the measurements of that type of pathological behavior have skyrocketed from 1960 on, at the very time that here in Washington we were spending billions of dollars that all the experts told us would prevent this type of behavior. We need to look at core problems.

Mr. **Dwyer**. Should it be your Department that should be looking at these?

Secretary **Bennett**. In part. We have been talking on the drug issue with Carlton Turner, and with the First Lady, of course, who has a great interest in this, and with the Department of Justice, and the Department of Health and Human Services.

Mr. **Bauer**. In addition, the Administration has established a Working Group on the Family.

FEDERAL BUDGET

Mr. **Dwyer**. You are convinced that your budget is adequate enough to respond to this problem?

Secretary **Bennett**. In terms of drug education programs, what the Federal Government should be doing, yes. Is this budget or any Federal budget adequate to prevent the use of drugs? Absolutely not. That is just using the wrong means to the end. That is not what it is going to take.

CAREER CHANGES

Mr. **Dwyer**. One general question. I read recently where by the turn of the century, young people will be asked to change their careers at least four times in the course of their gainfully employed years. Are you convinced that your budget will prepare the young people of this country to do this?

Secretary **Bennett**. My budget plus the budgets of States and locals.

Mr. **Dwyer**. But you are convinced that the budget you have before us will be able to do this?

Secretary **Bennett**. In conjunction with other budgets, yes, sir. Somebody underscores the point Congressman Conte asked about, what kind of education should we provide for our kids. This is one of the facts that is relevant in the setting of curriculum. If you know your average student will have four different jobs, you don't want that education to be too narrow a focus.

Mr. NATCHER. Thank you. Mr. Obey.

Mr. OBEY. Thank you, Mr. Chairman.

COMPARATIVE STUDENT AID LEVELS—1949 AND TODAY

Mr. Secretary, on the last round before lunch, we talked about the comparative level of effort between the Federal Government in 1949 when we had the G.I. Bill and today. Following up on that, over the noon hour I did some checking with CRS, and they indicated in 1949 there were 2.7 million students in higher education in the country; 32 percent, had to a very large extent their entire education costs covered under the G.I. Bill; 32 percent! Adjusted for inflation, that $2.7 billion would be $12.7 billion today.

Today, by comparison, we have a student population of about 12.3 million, if you include everybody. We are spending at the Federal level about $19 billion. If you take into account all of the education programs that we provide money for, including the support for medical students, all the rest, that comes out to about $1,545 per student. If you don't count those esoteric and very costly programs for a very small minority we are spending about $650 per student, whereas in 1949 we were spending at least six to seven times that much per capita. That is simply another way of putting in context what has happened to the Federal role in education. People have the idea somehow that Uncle Sam has gotten neck deep into everything, and we are doing a lot more than we used to do, and that is the cause of our budget problems, and the numbers indicate quite the contrary.

PELL GRANT RECIPIENTS AT PROPRIETARY SCHOOLS

Given that our resources are so tight, I have some questions about the proprietary, for-profit institutions. What percentage of Pell grants go to students enrolled for less than a B.S. or B.A. degree?

Secretary BENNETT. I have to ask Dr. Carnes. Could I comment briefly on your remarks? I would like to submit for the record some numbers about Federal involvement in support of higher education for the last 10, 25, 30 years, if that is agreeable to you.

Mr. OBEY. You put in your charts and I will put in mine and we will compare them.

Secretary BENNETT. Fair enough.

[The information follows]

GROWTH IN FEDERAL SUPPORT FOR STUDENT AID

A study of Federal support for postsecondary students between 1963 and 1984 was made by the College Board in 1983 and updated in 1984.* The study included Federal support from the Department of Education's student aid programs, Social Security and Veterans' educational benefits, as well as smaller grant and loan programs that are administered by various Federal agencies. Summary data from this study for 1963, 1975, and 1984 are as follows:

Total Federal Funds for Postsecondary Students
($ in millions)

	Academic Year		
	1963-64	1975-76	1984-85 est.
Current Dollars.......	$190	$8,561	$14,148
Constant Dollars**.....	594	14,891	12,802

The above table illustrates the enormous increase in Federal support for postsecondary students over the 21 year period studied. In just 12 years, between 1963 and 1975, Federal support increased by over 2,000 percent in constant dollars. A decline in constant dollar support from 1975 to 1984 occurred as Social Security educational benefits were phased out and the number of veterans eligible for educational benefits declined. Nevertheless, during this period, Federal funding for programs administered by the Department of Education continued to increase dramatically (as indicated in the attached tables 1 and 2).

The College Board study traces the growth, for the most part, of Federal need-based assistance, which began with the enactment of the National Defense Education Act of 1958. Federal support for veterans in the late 1940's was provided to meet very specific needs--the need to recognize the contributions of a large number of American servicemen to their country and the need to provide transitional assistance to a large number of people entering the labor force at the same time.

According to the Department's Center for Statistics, Federal support for veterans was not limited to those who enrolled in institutions of postsecondary education. Only a third of the veterans who received Federal support were educated at institutions of higher education. Another third received Federal support for vocational training or secondary education. The remaining third received support for on-the-job training.

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*"Trends in Student Aid: 1963 to 1983," "Update: Trends in Student Aid: 1980 to 1984," The Washington Office of the College Board

**In constant 1982 dollars.

Table 1. Aid Awarded to Postsecondary Students in Current Dollars*
($ in millions)

	Academic Year		
Federally Supported Programs	1963-64	1975-76	1984-85 est.
Generally Available**			
Pell	$---	$936	$2,773
SEOG	---	201	374
SSIG	---	20	76
CWS	---	295	664
NDSL	114	460	585
GSL-PLUS	---	1,267	8,466
Subtotal	114	3,179	12,938
Specially Directed			
Social Security	---	1,093	35
Veterans	67	4,180	836
Other Grants	9	64	60
Other Loans	---	45	279
Subtotal	76	5,381	1,210
Total Federal	190	8,561	14,148
State Grant Programs	56	490	1,257
Institutionally Awarded Aid	300	1,435	2,634
Total All Programs	546	10,486	18,040

Table 2. Aid Awarded to Postsecondary Students in Constant Dollars*
($ in millions)

	Academic Year		
Federally Supported Programs	1963-64	1975-76	1984-85 est.
Generally Available**			
Pell	$---	$1,629	$2,509
SEOG	---	350	338
SSIG	---	34	69
CWS	---	513	601
NDSL	356	800	529
GSL-PLUS	---	2,204	7,660
Subtotal	356	5,530	11,707
Specially Directed			
Social Security	---	1,901	32
Veterans	211	7,271	757
Other Grants	27	110	54
Other Loans	---	78	253
Subtotal	238	9,361	1,095
Total Federal	594	14,891	12,802
State Grant Programs	176	853	1,137
Institutionally Awarded Aid	940	2,496	2,384
Total All Programs	1,709	18,240	16,323

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* Op. cit.

** Administered by the U.S. Department of Education.

FEDERAL SUPPORT FOR STUDENT AID

Dr. **Carnes**. The Federal programs in student aid, although they amount to approximately slightly more than $8 billion currently in appropriated funds, make available almost $14 billion in student assistance, just in the Department's programs.

Mr. **Obey**. Again, what you are trying to do is mix apples and oranges, and you are talking about capital made available, a good portion of which has to be repaid. I am talking about the bucks that are in this budget. There is not $14 billion in this budget for student financial assistance. Further, on the credit you are taking for increases at the State level, I can't take credit if my local legislature has more guts than the Congress does in meeting the national problem.

Mr. **Bauer**. If we spend money on an interest rate subsidy, that is not an indirect subsidy to the student?

Mr. **Obey**. You can take credit for anything you want. "Appropriated money" is different from "capital made available."

Mr. **Bauer**. The Federal Government should not take credit for the Guaranteed Student Loan program? We provide a subsidy that permits guaranteed student loans to students.

Mr. **Obey**. Let me tell you what that argument reminds me of. It is the same one used by this administration for six years. We are going to close out Window A, the Pell program, because we got good old Gramm-Rudman, and so therefore we can't do what we want to do. So you are telling students, don't apply to Window A, apply to Window B.

When it comes to Window B, loan limits are not going up under guaranteed student loans. You are eliminating the in-school interest subsidy, so what you are doing is saying to people: Don't go to Window A, and go to Window B, and when they go to Window B it is tighter than it was before. I know what I am talking about. If you want to discuss something else, you ask your questions, but I am asking my questions and I want direct answers to my questions.

Mr. **Bauer**. You asked about Federal financial aid, Congressman, and then you defined it in a way that does not permit us to include guaranteed student loans in the category.

Mr. **Obey**. Not true. I am including them to the extent that we provide dollars in that program.

Mr. **Bauer**. Ignoring the dollars that go to the student as a result of the program.

TAX BURDEN OF STUDENT AID

Mr. **Obey**. I am talking about the measure of burden on the Federal Government by way of taxes.

Mr. **Bauer**. Congressman Obey, all of the burden is not to the Federal Government, not to the state or to the local government. It is to the taxpayer. And it is the same individual whether it is Federal or state taxes.

Mr. **Obey**. If you want to make that debate, you do it on your time.

Mr. **Bauer**. This is my time. I am a witness and I can respond.

Mr. **Obey**. You can if I ask you to. I didn't ask you to respond.

Mr. BAUER. Are these new rules of the hearing—that I can only respond when you ask me to?

Is that correct, Mr. Chairman?

Mr. NATCHER. Go right ahead, gentlemen.

Mr. OBEY. It is not the same taxpayer who is paying. With all due respect, we don't have a unitary system of taxation any more than we have a unitary government in this Government, in this country. And whether you fund something through Federal resources or through State or local, when you change the pattern of funding, you change not only the pattern of funding, in terms of which government level participates, but you also change the pattern of who pays the taxes.

And to the extent that we bug out on our responsibility to provide leadership in the area of education, as we have done since 1979, to that extent we increase the burden on those tax sources other politicians must have the guts to somehow come by the increased taxes to fund those programs. You know that is the point that I am trying to make.

When I see the leadership role being taken by my Governor and my legislature to provide educational opportunity, I welcome that. But the fact is that it is not just Wisconsin that suffers if we don't keep up with the Japanese on training or education. It is not just Wisconsin which suffers if we don't keep up, if we don't fully educate the large underclass we have in this society, it is the entire society, because people are mobile, and it is the entire country which loses.

I would suggest when I take a look at what has happened in the economy under this administration, and when I see what we were told if we passed good old supply-side economics, which provided a 25 percent rate reduction and doubled the military budget, that we would get greater economic growth, greater investment and greater savings. And when I measure that package by its performance on the three promises laid out in 1981, what I see is that real economic growth in this country, during the last five years has been— it has averaged 2.3 percent real economic growth the last five years—the slowest of any five-year period save one, going back to World War II.

When I see that personal savings are down to 35-year low levels, and when I see us falling further behind in terms of our ability to compete with other societies, I would suggest that the Federal Government needs to do more than lecture other units of government about their responsibilities. Those are the numbers, and I think the numbers lay out—you can put whatever interpretation you want on it, but the fact is that the Federal Government is providing less in real dollar terms to support higher education than it was in 1949.

I know of no serious economist who would challenge that statement. Because of the competition for scarce funds, what role ought proprietary or for-profit institutions play in our education system?

PELL GRANT RECIPIENTS

If you want to make any comment make them at the end. Until then, I want to ask my questions on my time. My question is this:

What percentage of Pell grants go to students enrolled for less than a B.S.-B.A. degree?

Dr. CARNES. I will calculate the percent for you in a second. Six million, for the last year we had available, for Pell grants, for students in proprietary schools, and $800 million for students under GSL in proprietary schools. That sounds like about, just proprietary school students, not community colleges.

Mr. OBEY. I want two numbers. First, the percentage of Pell grants that go to anybody who gets less than four-year degrees.

Dr. CARNES. OK.

Mr. OBEY. Then what percentage of Pell grants go to students who are enrolled in for-profit proprietary schools. It is roughly 40 and 20 percent respectively?

Dr. CARNES. That sounds approximately right on.

DEFAULT RATE FOR PROPRIETARY SCHOOLS

Mr. OBEY. What is the default rate for proprietary schools as compared to publicly operated institutions that offer similar programs, community schools, postsecondary schools, and institutions of that nature?

Dr. CARNES. Default rate is higher in proprietary schools than it is among other institutions. I will provide the precise default rate for proprietary institutions, which is considerably higher. A recent article by David Stavadge in the L.A. Times contrasted the default rate for places like the University of California and other places, where it was running approximately 7 percent; whereas, it was running upwards of 65 to 70 percent in many other proprietary institutions.

Mr. OBEY. I know in my State, the State requires financial statements from the institutions so we know what kind of profit they are making, financed in part by the Federal Government through our student assistance program. Can you give me some idea of the range of regulation, and the range of information required by different States of those institutions, in terms of the States knowing what their financial conditions are, and the nature of their profit picture?

Dr. CARNES. Not off the top of my head, I can't do that, but I can give you information on that for the record.

Mr. OBEY. Provide to the record and my staff background on the role of the proprietary schools in higher education, the extent to which their students have increased the demand for competition for Federal funds and the extent to which they are regulated by the States and the Federal Government, with particular attention to the degree of profit that they make.

Dr. CARNES. Is that all? Yes, sir.

Mr. OBEY. I recognize it is a lot to ask, but as you know, those institutions were relatively recently made eligible for these programs. I think it is legitimate to ask whether or not they ought to continue to participate in these programs, if we do not have any control over the cost of these institutions.

Dr. CARNES. Quite right, I couldn't agree more with you.

[The information follows:]

PROPRIETARY INSTITUTIONS

The Federal Government does not have separate criteria for regulating proprietary institutions. They must conform to the statutory and regulatory requirements in the same manner as other postsecondary educational institutions. All institutions must be determined eligible by the Department of Education, which normally requires an institution to be accredited by a nationally recognized accrediting body approved by the Secretary. Generally, accrediting organizations require demonstration of financial stability and managerial competence prior to granting accreditation. In order to participate in the Federal student financial assistance programs, all institutions, including proprietary, must not only be deemed eligible postsecondary institutions, but also must be certified for participation. The certification process requires the institution to submit current financial statements which are evaluated to determine the institution's ability to properly administer Federal program funds. Institutions failing to measure up to our financial reliability standards are either barred from participation or are required to post a bond to assure proper stewardship of Federal funds.

The following chart indicates the amount and percentage of Federal funds received by students attending proprietary schools and the number and percentage of proprietary schools participating in Federal student aid programs.

Distribution of Student Financial Aid to Proprietary Institutions--1983-84 Academic Year

Student Aid Program	Amount ($ in thousands)	Percent of Total Program Funds	Number of Participating Proprietary Institutions	% of Total Participating Institutions
Pell Grants	$596,380	19.95	2,125	40
SSIG	1,180 1/	1.97	not avail.	not avail.
SEOG	30,460	8.44	1,611	36
Work-Study	10,880	1.59	571	16
Direct Loans	46,230	6.78	1,151	34
GSL	760,000	12.00	4,064 2/	51
Total	$1,445,130	12.40		

1/ Includes amounts for vocational education institutions, such as nursing schools, hospital schools, etc., in addition to proprietary schools.

2/ Includes nursing schools, hospital schools, etc., in addition to proprietary schools.

PELL GRANT RECIPIENTS IN PROPRIETARY INSTITUTIONS

Dr. **Carnes**. Your colleagues in the Senate are also interested in this very question. A recent study—and there has only been one done, Florida—students admitted to proprietary institutions in Florida who are on Pell grants under the ability to benefit clause, approximately two-thirds of those drop out and do not finish the program. This was a clause enacted to allow for exceptions, a bona fide concern. But we ask ourselves, if there are that many students admitted and dropping out, is this clause being taken advantage of?

DEFAULT RATE OF PROPRIETARY INSTITUTIONS

In addition, the default rate is very high. We reject the argument that default, the propensity to default, is linked to race, sex or socioeconomic background. We do not believe those characteristics predetermine that a student will default. The question we would ask is whether there is something about what it is that they are getting for their money that makes them think they haven't gotten their money's worth.

Mr. **Obey**. I am not trying to exclude from Federal support an entire class of institutions, but it seems to me that if we are going to, under the philosophy of the administration, rely largely on other levels of government to provide financial support for education, that we do at least need to provide minimum standards in terms of how much of a ripoff we are going to swallow in some of these programs.

Secretary **Bennett**. We agree. We recently met with heads of three accrediting agencies for proprietary institutions, and made very plain our concerns. One of the ways that we address this issue is by focusing on this whole ability to benefit question, which we think was originally intended as an exception to the normal expectation that a student should have a high school diploma or GED; but it has been used to open the gates and allow in students who come with Federal money and those students then leave in frustration. We are very much concerned about that.

INCOME-CONTINGENT LOANS PROPOSAL

Mr. **Obey**. Income contingency program—because I am frankly intrigued by it, and I am not at all sure that I oppose the philosphy behind it, provided that it is broad-scaled enough to really provide additional opportunities for students. Under that program, how much of the future income of graduates would you envision tapping in that repayment program? What percentage?

Secretary **Bennett**. Have we done calculations? There is a limit of, what, $40,000?

Dr. **Carnes**. A student can borrow up to $40,000 under this program.

Secretary **Bennett**. We wouldn't anticipate numbers like that very often.

Dr. **Carnes**. He would pay back the full principal plus the interest payments over the course of however long it took him to do that. Beyond that, no student would be required to pay more than 15 percent of his income in any one year.

Mr. **Obey**. Before or after taxes?

Dr. **Carnes**. The specifics have yet to be worked out.

Mr. **Obey**. I have got some other questions but I will come back to.

Mr. **Natcher**. Mr. Hoyer.

Mr. **Hoyer**. Thank you.

MAGNET SCHOOLS—AWARD PERIOD

On the Magnet Schools Program, we have had some correspondence. I want to thank your Department, and in particular Mr. Bauer, for the responsiveness to my inquiries with reference to Prince George's County's interest in the magnet schools. It didn't result in any money but it did result in a better understanding of where we stood. In that context, we corresponded with respect to some report language which I included in the committee's report in which indicated in effect that we felt that the magnet school grant would not be a two-year grant.

In your letter back to me, you indicated that in fact the invitations, the bid, I suppose—that is evidently not the term but were invitations to seek two-year funding. Now, my question to you is: Did all of the jurisdictions that were awarded magnet school grants out of the 124-some-odd that applied, seek two-year grants and within the context of their application?

Dr. **Carnes**. Yes.

Mr. **Hoyer**. What is the status of the review process?

Dr. **Carnes**. Review of applications?

Mr. **Hoyer**. In your response to me, you said (a) they asked for two years, and (b) that consistent with the language that the awarding of an fiscal year 1986 grant would not be the sole criteria for reawarding for 1987, which is essentially what my language said. You are saying, well, there are other criteria as well. I presumed one of those is that you are looking to see whether or not those jurisdictions are doing to what they said they would do. What is the status of that project?

Dr. **Carnes**. If I could, all those LEAs that have reapplied are making satisfactory progress according to the terms of the first grant that they received, and are eligible and will receive a second installment. We are looking at this issue for 1987 and giving serious consideration to revising our procedures in this program under our new initiatives, in order to assure that this money is spread around annually to a far greater range of different LEAs.

Mr. **Hoyer**. Your criteria will be modified in some way?

Dr. **Carnes**. In terms of how many years you get support, and once having had it, whether you get it again. Our view is that our funding should not in any way be perpetual funding for Magnet Schools, but it is appropriate to provide startup costs, and leave it up to the localities to support them after that.

Mr. **Hoyer**. So, you will be in the process of, this Summer or this Fall, of reviewing grant applications for October 1; the new $75 million that I presume will be approved that you have requested?

Secretary **Bennett**. That is right.

Mr. **Bauer**. Ultimately, this will be to the benefit of Prince George's County in that they will have a better shot at having this money more than just one year. It is difficult to award funds for one year, and then pull the rug out.

Mr. **Hoyer**. I tend to agree with you. I understand what you have done, and although it doesn't give us a shot right now, I understand what you have done.

RESEARCH BUDGET INCREASE

In the area of research, it is my understanding in the Office of Educational Research Improvement, there has been an increase of 20 percent, the largest in your Department?

Secretary **Bennett**. From about $60 to $70 million.

Dr. **Carnes**. More in the order of 15 percent.

Mr. **Hoyer**. What will that be used for?

Secretary **Bennett**. To continue our research efforts. Let me put the numbers in context.

It is an increase in a year in which we see a lot of decreases, but this is one area where the Federal Government has a clear responsibility, and where it can do a lot of good.

Value for the dollar, it is unlikely that one could find many more candidates for first place than the report that Secretary Bell put out which riveted the country's attention. We have reason to think that our recent report, "What Works," is going to have the same kind of very positive effect.

That constitutes a good example of the sort of thing that we want to support and encourage. Providing accurate information on American education, supporting research, and the studies we want to do and the studies—Bruce?

Dr. **Carnes**. Four particular items will be funded with this $10 million increase. We will be undertaking a redesign of our elementary and secondary data collection. We will be supporting statewide, State level assessments of student achievement, using the resources of the National Assessment of Educational Progress, and providing better data about the teacher work force, and we will be doing additional syntheses similar to "What Works," and "Becoming a Nation of Readers."

RESEARCH ON CHAPTER 1 EFFECTIVENESS

Mr. **Hoyer**. There have been some questions raised by the National PTA. Is there going to be any long-term research verifying the success or failure of Chapter 1 or Head Start included within this framework?

You said elementary and secondary education. Is there going to be—is that a focus, to see whether Chapter 1 or Head Start are continuing to work?

Secretary **Bennett**. We are about to conclude a very large study on Chapter 1. We would certainly go after that if there seemed to be good reason, but the study is not complete.

Dr. **Carnes**. We have completed a couple of phases of that study.

Mr. **Hoyer**. Well, that was not included in your book, "What Works."

Secretary **Bennett**. That is right.

Mr. **Hoyer**. This is another—how do I see that report?

Secretary **Bennett**. When do you expect it to be put out?

Mr. **Bauer**. We will report the findings of the Chapter 1 study to Congress as mandated by law, as soon as it is completed.

Dr. **Carnes**. The first interim report will be out in several weeks.

Mr. **Hoyer**. If we are looking at "What Works," wouldn't that be——

Dr. **Carnes**. Sorry, in January of 1987 we will have the final Chapter 1 report.

THE PUBLICATION "WHAT WORKS"

Mr. **Bauer**. "What Works," the publication "What Works," didn't talk about specific Federal programs, but rather various things that one can do with children under any number of programs, including Chapter 1, as far as the more effective teaching of reading, and so forth. So many of the things that successful Chapter 1 programs are doing are included in "What Works."

Mr. **Hoyer**. I have not read "What Works". Some of the press reports have indicated that it was relatively simplistic in terms of what works; that is, a parent spending more time with their child, means that the child will learn better, or if the child reads more, the child will read better.

FINDINGS IN "WHAT WORKS"

In "What Works," what would your analysis be of the most meaningful findings, reports that were included in that? You make an analogy to "A Nation to Risk," which did make an impact.

Secretary **Bennett**. That is asking me to choose among my children, they are all dear to me, all 41 findings. The simplistic objection which we have heard, one of the reasons people have said that, is because it is written in plain and simple English.

We have been a little bit corrupted by verbiage and jargon, so if we run across something that is simple, straightforward, we tend to think it is simpleminded.

Many of these findings are common-sensical—children read better by reading more and more—but, they are not necessarily commonplace. The importance of homework comes out several times in this report, and everyone says, well, we all agree on the value of homework, but not on the value of homework when it comes to the practice of assigning and doing homework.

One of the things that struck me the most, Mr. Hoyer, were the things that suggested how education, one's education can be improved by the exercise of effort. In some ways, this little book is a document of empowerment, how children can increase their grades by adding a couple hours of homework a week, not even a night, and by doing fairly straightforward, uncomplicated things, one's grades can improve.

Most of the research was based on effective school research in education, and this is research directed primarily at low achieving students, poor students, students of less than good circumstances. So it is encouraging along those lines, where it shows the things that can be done to improve one's education.

Finally, it is an invitation, almost an exhortation to parents that maybe they are the children's most critical teachers, and probably the thing that has been talked about least in the last 10 years and needs to be talked about most.

We are tremendously heartened by the response. We have Congressman Conte's copy right here for you.

Mr. **Hoyer**. I don't want to take Congressman Conte's copy.

PURPOSE OF THE REPORT, "WHAT WORKS"

Mr. **Natcher**. Mr. Secretary, about a month ago, your office released a report entitled "What Works." What do you see as the main purpose of this report, Mr. Secretary?

Secretary **Bennett**. To report to the American people on effective educational practices. The summary of what is in here is 41 research findings about teaching and learning. The report tells the American people about what we know, what works in education.

People read reports here and there. They read one thing one day, and read one thing which may appear to be its opposite the next day—kind of like dietary fads.

We thought it would be good to put between two covers something which every American could take to heart and which, if followed, would improve the practice and course of American education.

COST OF THE REPORT

Mr. **Natcher**. Mr. Secretary, did you spend $800,000 on this report?

Secretary **Bennett**. No.

Mr. **Natcher**. Are you sure about it?

Dr. **Carnes**. $400,000 is allocated for this, Mr. Chairman.

Mr. **Natcher**. Anything in addition to that figure?

Secretary **Bennett**. We have considered making additional copies available since we have told the American public it is free.

Mr. **Natcher**. Are you sure about $400,000?

Dr. **Carnes**. Yes, sir.

Mr. **Natcher**. At this point in the record, put in a detailed statement for the record about the cost of this report.

[The information follows:]

Costs Associated with Booklet Entitled "What Works"

No new research was undertaken specifically for the development of "What Works." Therefore, the costs involved only ED staff time in producing the final product, plus the dissemination costs of printing and mailing the booklets. As of April 1, 1986, we have allocated $308,700 for printing and mailing costs. However, the demand for the booklet has prompted us to set aside additional funds that may also be used for dissemination of the booklet.

FUNDING FOR THE REPORT "WHAT WORKS"

Mr. **Natcher**. This money comes out of the National Diffusion Network appropriation of $10.7 million. Other than the amount you say you spent for the report, what have you spent out of the $10.7 million up to this time?

Dr. **Carnes**. Yes, sir, approximately $9 million will be available for awards under the National Diffusion Network program, including about $900,000 for new awards under the National Diffusion Network, and approximately $800,000 for another dissemination effort, which we will be undertaking later this fiscal year.

Mr. **Natcher**. Can you tell me how many other projects that you will have from the $10.7 million?

Dr. **Carnes**. None that I have not mentioned right here.

HIGHER EDUCATION REAUTHORIZATION

Mr. **Natcher**. The House passed the Higher Education Reauthorization bill, and the Senate Committee has reported a similar bill. Does the Administration support either bill, House or Senate?

Secretary **Bennett**. Well, our problem with both bills is that neither of the authorization bills recognize the Gramm-Rudman-Hollings Act, and therefore, we cannot support either of those bills.

We have some areas of agreement in one bill or the other, and we are happy to see a number of the things we have suggested over the last couple of years have been taken into account, particularly in the Senate bill, but our proposal, as those who have read it know, is different.

Mr. **Natcher**. We will probably mark this bill, Mr. Secretary, as you know, before we receive the final authorization of the Higher Education Act.

Would you have any problems if we marked up the 1987 appropriations bill on the basis of current law?

Dr. **Carnes**. Yes, sir, I think we would have some problems, particularly with certain aspects of that, although current law is certainly far preferable to H.R. 3700 in our view.

A number of the savings that we are proposing might in fact require certain either legislative amendment or appropriation language to make them possible, that would produce the savings.

However, our view is that current services is better than either the Senate or the House bill in their current form.

HIGHER EDUCATION FACILITIES AND EQUIPMENT

Mr. **Natcher**. As you know, a White House panel studying higher education has reported that the physical plants of our colleges and universities are in terrible condition.

The panel, I believe, will recommend increasing Federal aid to universities for updating facilities and equipment. Are you aware of this report, Mr. Secretary?

Secretary **Bennett**. I have heard accounts of it, read newspaper accounts, yes, sir.

Mr. **Natcher**. Do you agree with the part I just stated to you?

Secretary **Bennett**. I don't see that the Federal Government can really afford to do that at the present time, sir.

SCHOLASTIC ACHIEVEMENT AS AID ELIGIBILITY FACTOR

Mr. **Natcher**. What is your position on the notion of introducing scholastic achievement as a factor in determining eligibility for Federal higher education student financial aid?

Secretary **Bennett**. It is a difficult one. I understand the impulse behind it, but I am concerned about the effects on institutional policy. It seems to me if we decide as a Nation that a student who is a "D" average student ought to be admitted to college and can be in good standing at that college with those grades, I don't see the principal reason for intruding and saying that he must maintain a "C" average for purposes of student financial aid.

If institutions want to raise their standards themselves and insist that students must maintain a "C" average in terms of academic continuation, that is another thing.

I am all for the raising of standards in higher education, and have spoken about this many times, but as a matter of general policy, this should be the institutions', and our commitment to aiding students should be on the basis of their financial need, and not their grade point average.

Particularly, given that this Nation has decided, not all in one fell swoop, but has decided that everyone who graduates from high school, even many who do not, can or even should be encouraged to receive higher education.

FEDERAL SUPPORT FOR HIGHER EDUCATION

Mr. **Natcher**. What do you see as the relationship between the Federal Government and postsecondary education institutions?

Secretary **Bennett**. Well, I think that we, of course, have various pieces of legislation that govern this, but the relationship should be one where the Federal Government makes it plain that in certain circumstances, and situations, it can and will provide support for institutions of higher education, but also makes it plain that many institutions of postsecondary education have come to rely on Federal support for the development and expansion of programs, indeed for support for the ever-increasing price of tuition.

But I think that the Federal Government is going to be asked, even scolded when it is reluctant to provide funds for higher education. It is appropriate for the Federal Government to act as something of a consumer advocate, raise questions about quality assessment at proprietary institutions, and other than those, all institutions of higher education, and make sure that all taxpayer funds are being used in a responsible way.

Mr. **Natcher**. Mr. Obey?

Mr. **Obey**. Thank you, Mr. Chairman.

INCOME-CONTINGENT LOANS PROPOSAL

I asked you earlier what percentage of future income of graduates would be tapped in this incentive program of yours. Next question would be, how are you going to figure the interest, Mr. Secretary?

Dr. **Carnes**. The interest will be essentially pegged at the T-Bill rate plus three percent, and based on the prior year's T-Bill average.

Mr. **Obey**. Have you done any studies of the costs to the institutions?

Dr. **Carnes**. We have made studies and built them into the program and the intention is that the program should be self-financing.

Mr. **Obey**. Do you have any idea what it would cost, for example what would it cost the University of Wisconsin, any idea?

Dr. **Carnes**. I will get that for you.

[The information follows:]

INCOME-CONTINGENT LOANS—INSTITUTIONAL ADMINISTRATIVE COSTS

Because Income-Contingent Loans is a completely new program proposal without an operational precedent (the most similar being the Direct Loans, or NDSL, program that it is intended to restructure), institutional administrative costs can only be roughly estimated. In this light, the Department's best estimate of administrative costs that the University of Wisconsin might reasonably expect to incur in operating an Income-Contingent Loans program is about $614 thousand in school year 1987-88, rising to about $720 thousand in school year 1988-89, declining to about $564 thousand in school year 1989-90, and then rising again slightly to about $585 thousand and $605 thousand in school years 1990-91 and 1991-92 respectively. This compares to $508 thousand in NDSL administrative costs at the University in school year 1984-85.

Our estimate is based, in part, on an analysis of the University's current NDSL program (e.g., outstanding loans, loan collections, new loan activity—both dollar volume and number of loan awards, and administrative costs being charged to the loan fund). Our estimate is also based on the following assumptions: (1) the University's share of new Federal capital contributions under an Income-Contingent Loan program will be proportionate to the share it receives of new Federal capital under the current NDSL program; (2) the University's loan collections will increase at the same rate as projected for the NDSL program as a whole; (3) the University's average award amount for an Income-Contingent Loan will be the same as projected for the program as a whole; (4) in view of the income-based resetting of borrower payment schedules, billing and servicing costs on Income-Contingent Loans will exceed those of NDSL loans; and (5) some additional systems start-up costs will be incurred in the early years of program conversion.

It is important to point out that most schools carry out NDSL loan billing and collections through contract with private agencies, and we expect that they would continue to do so under our proposed Income-Contingent Loan program.

Moreover, because of the additional administrative burden that Income-Contingent Loans would likely place on participating schools, our proposal provides that institutions be permitted to (1) elect participation in the program (and if electing not to participate, forgoing new Federal capital, but still having the use of existing NDSL funds); and (2) assign collections responsibility for any or all Income-Contingent Loans to the Department (losing proprietary interest in the assigned loans, however).

INSTITUTIONAL ADMINISTRATION OF THE PROGRAM

Mr. **Obey**. Who will determine each year what the graduate's income is in order to determine how much he would have to pay off of that loan?

Dr. **Carnes**. The institution will do that. The student, first off, will have a two-year fixed payment period, to allow him to establish himself in a job where he has an income which can then be applied against the loan.

Thereafter, the student will certify to the institution the level of his earnings, and that figure will then be used to calculate the amount of payment he would need to make against the loan.

Mr. **Obey**. The university is going to have, each year, to know what that kid is making?

Dr. **Carnes**. The student would be required to provide the university with the information it needs. The university will elect or not elect, as it chooses, to participate in this program.

Mr. **Obey**. Participate in the administering of the program?

Dr. **Carnes**. In other words, they will not be permitted to make Income-Contingent Loans unless they are willing to take on the administration of the program.

Mr. **Obey**. Have you decided not to go through the IRS?

Dr. **Carnes**. That is right.

Mr. **Obey**. I understand their resistance to it. It seems to me that by going to the institutions involved, you are putting in an extra step that will cause a lot of paperwork.

Dr. **Carnes**. I see your point. It is an issue which we did consider when we were planning this program, but the fact is that the institution, as it recovers payments, will be able to reloan those funds, under the NDSL revolving fund.

They will actually convert their NDSL fund to the Income-Contingent Loans fund and manage it very similarly.

Mr. **Obey**. You will not have an option for institutions, to participate in the program, but not administer the collection of that repayment.

Dr. **Carnes**. That is correct; except, of course, they may contract out the collection operation, as about 85 percent of the institutions do now.

Secretary **Bennett**. I am pleased to hear of your possible interest in this program. This idea has kicked around for a number of years, and it is time we look at something like it. We are happy, of course, for any comment you or others might have about provisions that might make it more attractive to change or qualify.

We are getting a sense from a number of people in higher education who, while resisting our 1987 budget proposal in this term or that, are saying that this sort of thing is very much what the future is going to have to be.

The more attention we pay, to you and others, to suggestions you have for improving it, the better. We would certainly welcome suggestions.

Dr. **Carnes**. I am reminded, Mr. Obey, schools could also assign the collection responsibility to the Department.

Mr. **Obey**. If they did that, would the school lose funds in their revolving account?

Dr. **Carnes**. Yes, and their own proprietary interest in their loans.

Mr. **Obey**. Would you intend to redistribute them?

Dr. **Carnes**. Yes, sir, any new capital provided under this program would be provided only to those institutions which agreed to participate in an Income-Contingent Loan program. This is a modification of NDSL.

The recoveries also would be reallocated only to those institutions.

Mr. **Obey**. I have got a number of other questions on this point for the record, Mr. Chairman, which I will insert at this point.

FEDERAL STUDENT AID IN 1949 AND TODAY

Then I would like to go back to—just to get the numbers out, since Mr. Bauer didn't seem to like mine, let me suggest what the numbers are if we play it my way or your way.

If you calculate the numbers my way, it shows in 1949, we had 2.7 million students. We got 12.3 million today. In 1949 we provided in 1986 dollars, $12.7 billion, as opposed to $8 billion today, from the Department of Education, which would work out to a Federal level of effort number of approximately $650 per student today versus $4,760 back in 1949, in 1986 dollars.

If you figured the numbers your way, so that you include the full principal for the GSL, which is leveraged by that program, you add another $9 billion to the pot, for about $17 billion bucks, which comes out to $1,450 per student for aid today, versus the $4,760 in 1949. In addition, because of the GI Bill, there will about 32 percent of the students in 1949 who were having *all* of their education paid by the Federal program, whereas today, it is certainly less than 10 percent.

So, it seems to me, these numbers can mean anything any of us want it to mean, but the fact is, if you look at the context in which the numbers are being discussed, it is very difficult to make the assertion often made by the Administration, that the federal government is providing more support for higher education at the Federal level than ever before.

When you use nominal dollars, that is easy to do, but when we discuss the military budget, we discuss it in real dollars after inflation.

Mr. **Bauer**. Congressman, are we talking of the military budget? Do your figures include the very generous program in the military budget, and you still come up with $18 billion?

Mr. **Obey**. Yes, sir because I am talking about the Department of Education budget. It is approximately $19 billion when everything is added outside the Department of Education Budget.

Mr. **Bauer**. Figures can be used many different ways. There have been a lot of Presidents between 1949 and here. If you are suggesting that the commitment has gone down since then, I would suggest many people would have to take credit for that.

Mr. **Obey**. Absolutely. I am not. If you will note, by the way, when I made my statement earlier, I made the point that since 1979, the Federal Government had been walking away from its commitment to higher education, at least the way I define what that commitment ought to be, and as far as I know, President Reagan wasn't in office in 1979.

Another fellow was.

The point I simply make is that if we are interested in opportunity, if we are interested in our competitive capacity of this entire society, it seems to me that we have to really measure in real dollar terms what the educational efforts of this society are now versus then. I would like to insert our data for the record.

[The Information follows:]

COMPARISON OF TWO YEARS OF FEDERAL INVESTMENT IN FINANCIAL AID FOR POST-SECONDARY STUDENTS

[1986 dollars] [1]

	1949–50 [2]	1986–87 [3]
Federal investment per enrolled student.[4]	$4,760	$1,545
Total Federal appropriated investment.	$12.7 billion	$19.0 billion [5]
Number of students enrolled.[6]	2.7 million	12.3 million
Percent receiving aid	32 percent	47 to 49 percent
Sources of funds	G.I. bill	Pell Grants, Supplemental Grants, College Work-Study Funds, National Defense Student loans, GSL's (interest subsidy, principle from banks and auxiliary loans), Veterans Education funds, Health Education Assistance loans (for medical school students), Bureau of Indian Affairs programs, other.
Type of aid	Grants: covering all educational costs, plus some living expenses.	Grants and Loans. Over one-half is in the form of loans. Most students must add their own funds to meet costs.

[1] GNP deflator.
[2] Enrollment data refer to Fall 1949. Spending data refer to FY '50 appropriations.
[3] Enrollment data refer to Fall 1986. Spending data refer to FY '86 appropriations.
[4] Federal grants and loans divided by total number of full-time post-secondary students.
[5] Subject to slight fluctuation.
[6] Source: U.S. Department of Education.

Mr. **Bauer**. You can't do that in a vacuum. At a time when you said there is a lessening of commitment to education, there has been at the precise time an incredible growth in higher education.

There was an onset after World War II, incredible men who had just given four years of their life, and had no resources, we probably had to pay 30 percent or more of all of their costs.

Today, that situation is not comparable.

INCOME AND ABILITY TO PAY—THEN AND NOW

Mr. **Obey**. I agree it is not comparable. I think the younger generation has a lot tougher time than 30 years ago. In 1960, when I graduated from college, the average worker, average 30-year-old worker in this society, 10 years away from having a kid in school, that average 30-year-old worker at that time, 10 years after he had left the family nest, was making about 30 percent more than the old man had been making when the kid had left home.

Today, that same 30-year-old worker is making on average about 10 percent less, and that means another problem. The average worker receives the largest percentage increases in their income, between the ages of 25 and 35, and between the years 1965 and 1975, a person who was 35 years of age in 1975 on average had increased his income by 125 percent over the previous 10 years.

Today, that same worker from 1975 to 1985, if he is 35 today, has increased his income in real dollar terms, we are talking about real dollar terms, by 16 percent, so that means that those young families are not building up the earning capacity to be able to deal with the cost of housing, education or anything else five and eight years down the line, and with all due respect, I don't think that telling the States, let George do it, is the way for the State, is the way for this Government to provide leadership in the field.

STATE SUPPORT FOR EDUCATION

I fully grant you that it is the primary obligation of States to educate their citizenry at the higher education level.

It is the obligation of the parents, and the supplemental obligation of the States, but the Federal Government has to be more than a cheerleader, more than a researcher.

And let me tell you something else.

Mr. **Bauer**. Can I respond to some of these when you are through?

Mr. **Obey**. Yep, sure. For example, Wisconsin is often attacked as being a high tax State, so there is pressure not to provide more money for education, for some of the other social services.

When you take the five highest tax States in the Union and compare their taxing level with their spending level, you find out some of the highest taxing States in this country, on a per capita basis, spend less than some of the lowest taxing States in this country, because some of those high taxing States don't have energy commodities which they can tax as they leave the State for other regions.

You got large pockets with serious economic problems, agriculture, and in areas like Texas these days, it is becoming oil.

That means that you have a varying capacity for those State and local units to deal with their problems. I think the Federal Government has an obligation to do more than you are suggesting we do to mitigate those economic, and social differences, and that is what the argument is.

And I am not suggesting your position is illegitimate. I just think it is wrong.

Mr. **Bauer**. Congressman, I am not suggesting that yours is either, and likewise that yours is wrong. Your summary is a good summary of the philosophical debate the country has been having for at least the last six years, and will have for a few more.

FEDERAL ROLE IN EDUCATION

On your point that the Federal role is more than being a cheerleader, I would not call a $16 or $17 or $18 billion budget a cheerleading budget.

That is real money that goes to real students in elementary and secondary schools and colleges. 80 percent is directed at the most needy children in our country. We are in favor of that commitment, and we will continue it.

On your broader point, whether we are better off or worse off than young people 30 years ago, there are many economists that think we are worse off because of the policies of 20 years that saw Washington as the solution to every problem that came down the pike, policies that ultimately lead to the kind of budget problems we have got, the kind of inflationary problems we had that were out of control before President Reagan took office, and we are willing to stand on the improvements that have been made since we have come in.

POLITICAL OPINION AND SURVEY

These are philosophical issues upon which people will disagree, but twice now, we have had this debate in front of the American people on the status of our economy, opportunity, et cetera, and twice they have chosen the vision that the President and this Administration has offered.

Mr. OBEY. You have done your dutiful best to be a dutiful soldier, and cheerleader.

Mr. BAUER. I don't have to be a cheerleader, Congressman. I believe it. There aren't enough believers in principle, instead of too many.

Mr. OBEY. Where I object to political philosophy is where it is raised to the level of philosophical theology, as it has been by your Administration.

Secretary BENNETT. We will let the American people be the judge of that. When they got the chance in 1984, they let us know pretty clearly.

Mr. OBEY. I will grant you that the President won a whopping victory in this country.

Secretary BENNETT. It had nothing to do with his policies, did it? You just tell the American people out there——

Mr. OBEY. I doubt that. I completed a poll in my District, and I asked people in my District, do they want us to provide more or less support for education at the Federal level? They don't say less.

When I asked them, do they want to provide more or less support for cancer research, they don't say less. When I ask them, do they want to provide stronger support for transportation, infrastructure development, they don't say less.

They do say, however, that they would like to see a freeze in the military budget, which we are not likely to get out of this Congress, or this Administration. They do indicate very high support for the President in terms of his personal appeal, in terms of communicating to the country that things are not unraveling the way they did in 1980, I will fully grant you that.

That does not translate into the belief that we ought to follow the butcherous policies of this budget.

Secretary BENNETT. Did you say butcherous?

Mr. OBEY. Yes, it butchers opportunities for middle-class kids, especially in rural areas.

Mr. NATCHER. Mr. Conte, I yield to you.

CHARGING A FEE FOR GOVERNMENT DOCUMENTS

Mr. CONTE. How many copies of this pamphlet "What Works" have gone out?

Secretary BENNETT. About 200,000.

Mr. CONTE. I started something. When money started getting tight around here, I started asking a lot of witnesses, as they came up, "What is the cost?" We have a National Library of Medicine, and they pour out more information, especially to the Europeans, on what we are doing at the National Institutes of Health, and I asked them "why don't you charge a fee on that?" They said, "well, you know, this is public information."

Well, it costs money. We may need to charge a fee on some of these things we do. Over at the Small Business Committee, they charge a fee for every document they put out on the Small Business Administration.

With NLM I put language in the bill telling them to collect, and they got $1.2 million, just for that information. You can get $2 for that book if it is as good as you say it is, and pick up $400,000. Now you got me going.

I imagine there are a lot of documents down there that we ought to be charging for. What do you think of that?

Secretary **Bennett**. They paid for it already with their tax dollars. I feel we owed them a free one that made sense. We have given them a lot of free ones that haven't made sense. We will think about it with the sequel.

Mr. **Conte**. I hope so. You give somebody something free, and it is liable to go in a book case and they'll never read it. If they put a $2 investment in there, they will read it. Especially with all the money we need, now with Gramm-Rudman-Hollings, we ought to be looking at picking up some loose change.

Dr. **Carnes**. You might want to consider putting the same kind of restrictions on all of the National Diffusion Network money.

Mr. **Conte**. We will look at it.

Dr. **Carnes**. We are charged by law with disseminating the products of this work. We take that to mean that we are to circulate it, make it widely available to the public free of charge.

However, if that were to be amended, we might very much welcome it.

Mr. **Conte**. Get your General Counsel to look at that. I have been looking at a lot of agencies, and we will look at the United States Congress, too. Here are these tremendous hearing books that cost a lot of money. A lot of people get them, especially lobbyists. They ought to pay for that stuff. They could well afford it.

Secretary **Bennett**. We will take a look at it.

Mr. **Conte**. I have another question on Vocational Education, Mr. Chairman, and I will put it in the record, to save time.

FEDERAL FUNDING OF HANDICAPPED EXCESS COST

Another area of your budget proposal that I was surprised at, Mr. Secretary, is in the area of handicapped education. While your statement evidences a concern for the handicapped, your budget not only proposes carrying forward the Gramm-Rudman-Hollings cut into fiscal year 1987, but even further reducing the budget to the fiscal year 1985 appropriated level.

In the basic State grant, for instance, the budget would go from a fiscal year 1986 appropriated level of $1.215 billion to $1.135 billion. Your budget documents indicate that this would take the share of the cost of education financed by the Federal Government down around 7 percent of the excess cost, the lowest I can remember.

Public Law 94-142 sets as a goal that the Federal Government should finance 40 percent of the excess cost. Do you accept that 40 percent figure as a goal of Federal involvement in handicapped education?

Secretary **Bennett**. In some ideal sense, I suppose, theoretical sense. We have never been close to it. Maybe at the very beginning, we were.

In recent history, since 94-142, we recognize these are expensive programs. It was not a matter of choice for us, Mr. Conte.

This budget, $15.2 billion is what we have to come in at. Restoring this program to its 1985 level, not making a 15 or 18 or 20 percent reduction, which we see in other places, it is an indication of our regard for it, and its priority in our budget.

Mr. **Conte**. Mr. Chairman, I will submit the next four questions for the record to be answered in the record, and I will go back to student financial aid for a minute.

GUARANTEED STUDENT LOANS BUDGET

I know the Chairman asked this at the technical briefing, but I am not sure I understood the answer. The President's budget shows the request for Guaranteed Student Loans at $3.46 billion, while your budget documents show the request at $2.329 billion.

Which are we to consider as the budget request?

Dr. **Carnes**. $2.329 billion is the request for Guaranteed Student Loans.

Mr. **Conte**. Are you going to send up a budget amendment?

Dr. **Carnes**. I don't believe that the President's budget shows that figure. The $3.325 billion figure is the 1986 level. $2.329 billion is the 1987 level.

Mr. **Conte**. Are you sure about that? See page I-I-17. Guaranteed Student Loans for expenses necessary, Title IV, Part B of the Higher Education Act, $3,460,250,000 to remain available until expended.

Mr. **Skelly**. The request is $2.329 billion. The way the Budget Appendix is set up, you do have that information for 1987 on the page you refer to. But you also have to flip back a few pages to get the overlay, to show the amounts associated with the proposal for later transmittal, which would reflect our legislation which came up to the Congress last week, and have the effect of reducing the estimate for the program.

Mr. **Conte**. When did that budget come up?

Dr. **Carnes**. In the appendix to the budget.

Mr. **Skelly**. It is up already. Flip the page, about 15 pages, you will find it.

Mr. **Conte**. Flip 15 pages, and I get a different figure.

Mr. **Skelly**. Turn to I-I-21, about three pages from where you are.

Mr. **Conte**. Not I-21, but I-I-21?

Mr. **Skelly**. Right, that page and the page before it, too, are all part of the guaranteed student loan schedule.

Mr. **Conte**. That all requires legislation.

Mr. **Skelly**. Yes, it does. Legislation was submitted to the Congress.

Mr. **Conte**. We are both right.

PROPOSED WORK-STUDY/GRANT PROGRAM

The proposal to combine the SEOG and Work Study Programs into a single campus-based program is one that we have seen before. What is new is that the proposed funding for the combined program is lower than we have ever seen proposed before.

The proposal is to drop it from a combined total of $1.005 billion to $400 million. This is compared to last year's proposal of $800 million for the combined program.

What has led you, in developing this year's budget, to cut in half the level of funding you previously proposed for this consolidated campus-based program?

Dr. **CARNES**. Again, Mr. Conte, in establishing the funding levels for all of our programs, we are driven by considerations of who has, what individuals or what mission has the prior claim on all of our funds.

One of our highest principles is that we want to assure the maximum amount that we can provide in the resources we have for needy individuals, the disadvantaged and the handicapped.

Consequently, in our student aid proposals, we placed a higher priority for student aid on Pell Grants followed by Guaranteed Student Loans, and College Work-Study, frankly, along with SEOGs is a lesser priority than those other two programs, within the amount of funds we have available.

What we do with these Work-Study and SEOG funds is to enable local institutions of higher education—the financial aid officer there—to allocate those funds on a case-by-case basis to the students who would be coming to that institution as he saw the need to do so, but frankly those programs, though valuable, are of a lesser priority for us than Pell and GSL.

Mr. **CONTE**. If you had a family of 12, and on Friday you gave them each a mackerel, under your concept, you will come up the next Friday and give them six mackerel, and say, hey, divide it up.

Dr. **CARNES**. I am not really happy with that.

Mr. **CONTE**. One aspect of this proposal would allow you to credit default collections to the NDSL account, rather than returning the money to Treasury. Your budget documents indicate this could result in $52.4 million being returned to the revolving fund.

Regardless of whether this program remains the NDSL program, or becomes your new income-contingent loan proposal, should we consider granting you the authority to return default collections to the revolving fund, one benefit of which would be to reduce the need for new appropriations by that same $52.4 million?

Dr. **CARNES**. No, we don't think that it is appropriate to return those funds to the revolving fund to make additional loans under the existing NDSL program as currently structured.

We think that program needs to be modified into the Income-Contingent Loan program, and funds could be reloaned under those terms, but not under the old terms.

Mr. **CONTE**. Okay.

HIGHER EDUCATION ACT REAUTHORIZATION

Some folks have been making a case that it is possible to read the General Education Provisions Act to authorize an automatic two-year extension of the Higher Education Act, rather than the one year that everyone had been assuming up until now.

This question is obviously important, because if the Higher Education Act does not get reauthorized before we mark up our bill, then the student aid programs will be unauthorized unless there is an automatic two-year extension.

Your position, as I understand it, is that only a one-year automatic extension is authorized under the General Education Provisions Act, is that correct?

Dr. **Carnes**. That is correct, sir.

Mr. **Conte**. You realize that the result of that reading is likely to be that we will have to defer on all student aid and Higher Education Act programs in the regular bill, and put them into the continuing resolution pending authorization, don't you?

Dr. **Carnes**. Yes.

Mr. **Conte**. You like that?

Dr. **Carnes**. No, sir.

Mr. **Conte**. I don't like it, either.

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

Mr. Secretary, I am more than a little surprised about the Department's proposal on the National Technical Institute for the Deaf. We are still in the big bulge of kids hurt by the rubella epidemic, and with the Gramm-Rudman cuts, the Institute is going to be short funds in 1986.

Your budget for 1987 takes them below the sequester level, including the new $1 million endowment program. Why are you doing it this way? Why not add the $1 million directly to their budget, get them through this tough period, and then consider new budget innovations?

I am not going to ask you if you have been up there, because you been so many places, but that is a great, great institution.

Ms. **Christensen**. Mr. Conte, basically, our request will support what they need in terms of operations. The rubella bulge is actually going down from an estimated 320 in 1986 to 250 in 1987, so that that should be sufficient.

We think the endowment approach is the most important thing, as far as this proposal goes, because it will get this institution—we have the same proposal for Gallaudet—to get them on a sound financial footing, so that in a few years, they will not be dependent on Federal program support year after year, and they can build up their own endowments.

Dr. **Carnes**. We submitted legislation on that endowment proposal, Mr. Conte, yesterday.

Mr. **Conte**. Thank you, Mr. Chairman.

Mr. **Natcher**. Mr. Hoyer.

THE PUBLICATION "WHAT WORKS"

Mr. **Hoyer**. First of all, I have now got three copies of "What Works." Thank you. I tend to agree with the PTA press release I have seen here, they don't find anything wrong with the book, but let me suggest to you something reminiscent of Gary's answer to Mr. Obey, believers and philosophers, if this book had been put out by the Carter Administration, and we spent $400,000 to tell people of the value of hard work, the importance of personal responsibility, importance of education, contributes to great success in school, the "movement conservatives" would have excoriated the Department, in my opinion.

That is not a criticism of the book, because I don't happen to fall in either one of those polls, but you really ought to think about that, because that is what would have happened.

What you are trying to do is something useful, and particularly if parents read this and get the message you are trying to give, it is a good message.

There are basic values that if we pursue, and innoculate our children with the importance of homework, et cetera, it's going to help them, no doubt about that. And that is a value that from my perspective, you can perform a service as the Secretary of the Department of Education that a member of the President's Cabinet, that you could not do in any other position, which is in my opinion one reason why it is so important that you be a Secretary of a Department as opposed to Administrator of some agency.

But I don't think there is any doubt that the movement conservatives, if this had been put out by the Carter Administration, same stuff, I can't imagine that there would be anybody in the Department before who wouldn't agree with the conclusions or anybody on this committee that doesn't agree with the conclusions.

Secretary **BENNETT**. I am a conservative. I am a conservative Democrat, I don't know where that puts me, but I certainly would not excoriate the Carter Administration for making sense, certainly not.

Mr. **HOYER**. I don't mean you. It is hard to criticize somebody for making sense. For spending money, for saying something we should all know.

Secretary **BENNETT**. I can send you some criticisms that come pretty close. We have been criticized for this report for a number of very odd and flimsy reasons. No good act goes unpunished; if you do something worthwhile, sensical, somebody somewhere will attack you for it.

CHILDREN SERVED BY CHAPTER 1

Mr. **HOYER**. I asked you a question about dollars on the programs. In the Chapter 1 program in 1980, we were serving 5 million young people—if we adopted the budget as proposed, we would be serving 4.75 million people or 250,000 less; is that accurate?

Secretary **BENNETT**. Possibly so, 475 or 480, right.

Mr. **HOYER**. Would you do this for me? When you give me the dollars, if you will also give me the number of students served and the market of students. It gets back to whether we are responding to "A Nation at Risk" or not.

Couch it in whatever terms you want in terms of the States and localities meeting that need, that is a fair observation.

Secretary **BENNETT**. Okay. We are always predicting what the local education authorities will do in that area. They can decide to concentrate the use of their funds for the lower half of all the eligible students, or they can say everybody who is eligible will be provided for this year.

They do it different ways.

Mr. **Hoyer**. To the extent that we have information for 1981 through 1985, what they have done, that will be useful.

Secretary **Bennett**. Yes, sir.

Mr. **Hoyer**. Thank you, sir.

[The information follows:]

IMPACT OF CHAPTER 1 APPROPRIATIONS ON THE NUMBER OF CHILDREN SERVED

Year	Appropriation	Number served	Federal share per child [2]	Range among the States in the Federal share per child
1980	$2,731,682,000	5,304,488	$515	$359–1,096
1981	2,611,387,000	4,866,108	536	386–1,265
1982	2,562,753,000	4,731,351	542	328–1,104
1983	2,727,588,000	4,846,050	563	390–1,133
1984 [1]	3,003,680,000	4,800,000 to 5,000,000	609–625	Not available
1985 [1]	3,200,000,000	4,800,000 to 5,000,000	640–667	Not available

[1] 1983 is the last year for which actual data are available. The figures shown for 1984 and 1985 are strictly estimates. Local schools districts, not the Federal Government determine the actual number of children receiving services and thus the Federal share per child in any given year.

[2] The Federal share per child figure represents a national aggregate and varies widely depending on the State.

CHAIRMAN'S CLOSING REMARKS

Mr. **Natcher**. Any additional questions?

Mr. Secretary, we want to thank you and your associates for appearing before our committee at this time in behalf of your budget request for fiscal year 1987. As we go along, we will have the agency heads before the committee and we will carefully consider all of the requests.

Mr. Secretary, when you leave this afternoon, you can keep in mind we will bring out a good bill. I can assure you to that effect.

We believe in education. We believe that children in this country should be educated. You can bet your last nickel, Mr. Secretary, we will bring out a good bill.

The committee will now adjourn until 10:00 in the morning.

[The following questions were submitted to be answered for the record:]

STUDENT FINANCIAL AID

Mr. Roybal: The Department is proposing major changes in the Student Financial Assistance and GSL programs. If one of the Department's goals is providing educational opportunities for the neediest students, how can you justify the proposed reductions in the Pell Grant, SSIG, and SEOG programs?

Secretary Bennett: Our budget proposals for the student financial assistance programs have been carefully designed to (1) restore the traditional emphasis on parent and student responsibility for financing postsecondary education costs; (2) target available aid toward the neediest students; and (3) reduce or eliminate highly-subsidized Federal aid to students from higher-income families. Those students who would lose student aid eligibility under our proposals would be primarily those from higher income families (who tend to qualify for very small amounts of aid under current program rules), and those now inappropriately classified as independent of parental support.

Mr. Roybal: The Department's proposals focus upon decreasing government subsidies in the student loan programs, while encouraging students to finance their educations through loans rather than grants. Don't you think that increasing the interest rate and eliminating the interest subsidy on GSL and NDSL loans will discourage students, particularly those from low income backgrounds, from continuing their education if they have to assume a large debt to attend college?

Secretary Bennett: We really are only asking students to pay their fair share of the costs of their educations. Although we are proposing the elimination of the in-school interest benefit, we are structuring the GSL program in a way that enables students to meet these costs without undue financial hardship. By increasing the repayment period to 15 years and offering loan consolidation, we will actually reduce monthly borrower repayment burden. Our proposal to tie GSL interest rates to the 91-day T-bill would actually reduce the student's interest rate under current market conditions. Additionally, our proposal to restructure the NDSL program into the Income-Contingent Loan program will further assist students in managing their educational debt. We do not anticipate that students who seek a postsecondary education will be discouraged from doing so by our proposals.

Mr. Roybal: Won't a reduction in the government subsidies to financial institutions participating in the GSL program cause some of these institutions to withdraw from the GSL program?

Secretary Bennett: We do not believe that our proposals will cause lenders to drop out of the program.

Lender yields on student loans will still be competitive with other types of investments. In fact, the current yield is so great that some lenders compete to attract student borrowers by offering rebates and gifts. On August 20, 1985, a Wall Street Journal article described the GSL marketing practices of some banks, which included offering free gifts of Sony Walkmans, alarm clocks and record albums to students. Other banks promote these loans through aggressive advertising and direct payments to school financial aid offices for each student borrower who is referred.

Moreover, passage of provisions to reduce the special allowance to 3.1 percent under Gramm-Rudman-Hollings, to 3.0 percent on consolidated loans under Reconciliation, and to 3.25 percent on all loans contained in the Senate Committee on Labor and Human Resources' pending reauthorization bill, indicates that Congress supports reductions in this area.

Mr. Roybal: Why is the Department proposing major cuts in the student assistance programs when Federal student financial assistance is one area in which the Government receives a return on its investment in terms of both social and economic gains?

Secretary Bennett: This return in social and economic benefits would continue under our budget proposal, but at a lower cost to the Federal Government. Since the average annual cost of attendance at a public institution is approximately $4,000 (based on data from the Center for Statistics), the grant, loan and work assistance available under our proposals would put the opportunity for a college education within the reach of every eligible student, although some students may elect to attend lower-cost schools. Our proposals include a new Income-Contingent Loan Program, which will substantially increase borrowing limits over what is possible under the current Direct Loan program. Undergraduates could borrow up to $4,500 per year, and graduate students up to $10,000 per year, while repayments would be eased by basing them on the borrower's annual income.

The higher-income students whose aid is eliminated or reduced under our proposals (as well as lower-income students wishing to attend high-cost institutions) would still be eligible to borrow up to $5,000 annually, and up to $25,000 cumulatively, under the PLUS loan program. Such students might also be eligible for non-Federal financial assistance from State, private and institutional sources. Given the alternatives available for financing education, we do not expect any student to be denied access to a college education under our policies.

Mr. Roybal: The Department's budget includes many proposed legislative changes in programs currently being reauthorized in the Higher Education Amendments Act. Why didn't the Department submit these proposals to Congress earlier?

Secretary Bennett: Since these proposed legislative changes are inextricably linked to the Department's 1987 budget proposals, a detailed presentation of the legislation could not be prepared until the final 1987 budget decisions were made last December. After the budget had been developed and approved, a detailed legislative proposal was prepared and submitted to Congress.

TRIO PROGRAM

Mr. Roybal: The Department proposes consolidating the TRIO programs with HEP and CAMP to create the Postsecondary Outreach program and the Special Services program. How will the Department ensure that the services currently provided under the individual TRIO programs, HEP, and CAMP will continue to be supported under this proposed consolidation of functions?

Secretary Bennett: The proposed consolidation would permit institutions and organizations to provide activities similar to those provided under the current program, but would not require a separate program for each disadvantaged group. This would permit the organizations receiving funding to design programs to address their specific local needs rather than requiring them to adopt a federally mandated model. This would make the programs more sensitive to local needs, would improve access opportunities for a greater number of disadvantaged individuals, and would increase the programs' cost effectiveness.

Mr. Roybal: Why is the Department proposing an almost 50 percent cut in the funding for the TRIO programs when they have been successful in helping disadvantaged students succeed in postsecondary education?

Secretary Bennett: Although the fiscal year 1987 request is less than one-half the 1986 appropriation, the proposed legislative changes which require cost-sharing and eventual graduation should--in the long term--result in more poor and disadvantaged individuals receiving services at more institutions and agencies nationwide.

Currently, institutions and agencies participating in these programs do little to help cover program costs. Under our proposals, institutions and agencies will be required to increase their share of the cost of their project. This will encourage local financing of the outreach activities and special college services so that institutions and agencies will eventually "graduate" from Federal support. By requiring eventual graduation from these programs, other institutions will be able to receive support and initiate projects to provide outreach and support services so that over the long term more institutions, students, and areas will be served.

TEACHER TRAINING AND IMPROVEMENT

Mr. Hoyer: Mr. Secretary, I'd like to ask another specific question. This pertains to your proposal for the Teacher Training and Improvement Act. I believe this program will provide training to school administrators and senior teachers; the goal of which is to better school instruction and to keep these professionals in the schools. Is this description accurate?

Secretary Bennett: Yes, the objectives of the Teacher Training and Improvement program would be to: (1) provide opportunities for in-service education of teachers and administrators in order to improve their subject-matter competence and teaching and administrative skills; (2) provide recognition for excellent performance by teachers and administrators; (3) provide opportunities for training of teachers in the skills needed to maintain an orderly classroom environment conducive to learning; (4) attract qualified persons from other professions into teaching; (5) encourage outstanding teachers and administrators to remain in the profession; and (6) as a secondary objective, improve the preservice education of America's teachers and administrators.

Mr. Hoyer: How much money do you intend to spend on this program?

Secretary Bennett: We have requested $75 million.

Mr. Hoyer: Are you aware that the Prince George's County school district has been very active in this area?

Secretary Bennett: Although I do not have a detailed understanding of the program in Prince Georges County, I know that the district has been very active in the inservice teacher training area.

Mr. Hoyer: I believe that 20 percent of the $75 million will be used for projects of national significance. Can you explain what those might be?

Secretary Bennett: A variety of activities would be authorized under the act. Some of the things we might want to support include:

o Summer seminars and institutes for professional renewal of teachers and principals;

o Experimentation with fellowships, study grants, and sabbaticals to gauge their value in retaining outstanding teachers in the profession;

o Development and demonstration of new models of teacher certification conducted by States, universities, and professional associations;

o Research and data collection on teacher shortages and surpluses; and

o The Christa McAuliffe Scholars program to improve teachers' competence in science and mathematics.

Mr. Hoyer: How will the funds be awarded?

Secretary Bennett: Awards would be made through competitive grants, contracts, and cooperative agreements.

CHAPTER 1 BYPASS PROVISION

Mr. Hoyer: I am concerned over what I see the Department doing and not doing in the area of separation of church and State. On the one hand, I am distressed by reports that you are attempting to bypass the Constitution and the Aquilar case in Missouri by putting into place a bypass arrangement which has substantially decreased Chapter 1 support for public school students at the benefit of parochial students in Boonville, Missouri, for instance. It has been reported that the money necessary to set up alternatives to classes at private schools come off the top of the Chapter 1 allocations. And that in 1980, the first year of the bypass, that 30 percent of the money assigned the private school program was spent on administration. Are these statements accurate?

Secretary Bennett: Not entirely. Section 557(a) of Chapter 1 requires that each local educational agency provide instructional services to educationally disadvantaged private school students that are equal to those provided to public school students. In cases where an LEA has failed to provide Chapter 1 services to private school students or cannot because they are prohibited from doing so by State law, we must arrange to provide services to these students through a bypass arrangement which consists of contracts awarded to educational providers other than the LEAs. This provision was established long before the Felton vs. Aquilar decision and does not constitute an attempt to get around the Constitution or that Supreme Court decision.

Most bypass arrangements, including the one in Boonville, Missouri, were instituted several years before the Felton decision after a determination was made that these districts were not providing equitable Chapter 1 services to private school children as required by law. In the case of the Boonville school district, Chapter 1 services were only offered to private school children after the public school day concluded, with no provision for transportation of private school children either to the project site or home afterward. Prior to the time the bypass arrangement was implemented, only two private school children participated in Chapter 1. Since the bypass arrangement was instituted, over 20 private school children have been served each year.

The cost of providing services to private school children through bypass arrangements comes out of the local school district's Chapter 1 allocation. Often these bypass arrangements incur additional administrative costs because to operate the program the contractor providing educational services must establish administrative mechanisms that may duplicate the ones established by the local school district. As a result of this necessary duplication, administrative expenses can account for as much as 30 percent of the total cost of operating a bypass program.

PULIDO VS. BENNETT CASE

Mr. Hoyer: What is the status of the court case that has been filed against you on this issue (Pulido vs. Bennett)?

Secretary Bennett: Three days of hearings have been held on the plaintiff's request for a preliminary injunction to end the bypass arrangement in Missouri. No injunction order was issued, however, since most of the school year has now passed. Judge Stevens has decided to move directly to the trial proceedings, which are scheduled to begin on June 16, 1986. Judge Stevens has indicated that he will decide the case in late June or early July.

GUIDANCE TO SCHOOL DISTRICTS CONCERNING THE FELTON VS. AQUILAR CASE

Mr. Hoyer: At the other end of the spectrum, I am worried that you are not providing any reasonable guidance to school districts in light of requirements of the Felton case. What is the Department doing in this area?

Secretary Bennett: We have done several things:

- Last fall, a special unit was established in the Office of Elementary and Secondary Education (OESE) to deal with issues arising from the Felton vs. Aquilar decision. This unit has worked to ensure that private school children receive the Chapter 1 services to which they are entitled. They have also resolved a number of questions and complaints submitted to the Department.

- In December, OESE conducted an informal survey of the States to ascertain the level of private school participation. From that survey, we have identified ten States (in addition to those where we have formal complaints) where participation has dropped significantly. We have written those States asking that they update their data and inform us regarding the steps they plan to take to increase private school participation.

- The Department has reviewed affidavits from districts in five States (New York, Kentucky, New Jersey, Pennsylvania, and Delaware) seeking a one year delay in implementing Felton requirements. The Department has recommended to the various courts that delays be granted in two districts in New York, 18 in New Jersey, and six in Pennsylvania. These delays have been granted in most of those States. Final court action is still pending in Kentucky.

- In monitoring visits to States, OESE paid particular attention to services to children enrolled in private schools. Each monitoring report to the Chief State School Officer has addressed this issue. These reviews have included contact with private school officials. Also, within the Department OESE coordinates its reviews with the Office of Private Education to ensure comprehensive oversight of such problems.

- The Department has also provided written guidance to States on issues related to the Felton decision, beginning with a letter from me to the States on July 15, 1985. More recently we have provided additional written guidance to State Chapter 1 coordinators concerning procedures for the coming school year.

SECRETARY'S DISCRETIONARY FUND

Mr. Hoyer: My next question relates to the same issue. Americans United for Separation of Church and State wrote you on March 25, 1986 about their concerns that you have allocated one-half million dollars for research grants of questionable educational value, many of which will be used to foster public support for the voucher program. You've also allocated $40,000 to the National Catholic Educational Association for a study of the impact of Catholic schools on students from low-income families.

Don't you already know the results of many if not all of these studies?

Secretary Bennett: Of the eight awards questioned by Americans United for Separation of Church and State, five are for studies. The information the grantees propose to gather and analyze is not at all obvious, nor is it already known.

- The Louisiana Association of Business and Industry is researching the legal constraints to implementing vouchers in school systems with court-ordered desegregation plans, and the impact of a proposed voucher plan in Louisiana on their system for financing public education.
- The Sequoia Institute is studying four models for increased choice: options among public schools, tuition tax credits, vouchers, and options for teachers.
- The Minnesota Federation of Citizens for Educational Freedom is studying options for the implementation of the Minnesota Education Choice Act, focusing on cost analysis and fairness.
- The Institute for Liberty and Community is analyzing the history and present operation of Vermont's long-standing parental choice system.
- The National Catholic Education Association is studying why low-income parents, many of whom are not Catholics, go to the expense of enrolling their children in Catholic schools.

Mr. Hoyer: Do they have any real merit?

Secretary Bennett: We believe all of the applications have real merit. A number of other excellent projects also received support in the same grant competition. For example:

- a project at Johns Hopkins University to locate and assist young, gifted mathematics students;
- a Stanford University project researching how more effective structuring of fourth through twelfth grade science and social studies texts can increase students' comprehension;
- a project at Teachers' College, Columbia University to review widely used social studies texts to assess whether they enliven history and inspire learning or contribute to student disinterest;

- a National School Boards Association project to provide references and technical assistance to its members on the schools' role in character development;
- a project at the Center for Civic Education/Law in a Free Society to educate teachers and secondary school students in the Constitution and the Bill of Rights;
- a project in the Detroit Public Schools to involve parents in the design of priorities for new alternative schools;
- a project in New York City's Community School District No. 5 (Central Harlem) to train parents in making choices among the 17 elementary schools in the District;
- a project with the Skokomish Indian Tribe to design and field test an instructional program on substance abuse for young (prekindergarten to 1st grade) Indian children in isolated areas, and
- a project with the American Federation of Teachers to research how the principles of democracy are taught, and to propose methods for the teaching of these principles.

Mr. Hoyer: Please provide for the record information which shows how the discretionary money has been spent since you've been Secretary:

Secretary Bennett: In fiscal year 1985, $31.9 million was available for the Secretary's Discretionary Fund (Chapter 2, ECIA). Of this amount, $15.2 million was used to support the four congressionally-mandated programs (Arts in Education, Inexpensive Books Distribution, Law-Related Education, and Alcohol and Drug Abuse Education). Another $10.7 million was allocated for dissemination activities, including the National Diffusion Network (NDN). The remaining $6 million was used in support of a variety of discretionary activities designed to assist State and local educational agencies to improve the quality of elementary and secondary education through grants to support research, development, demonstration, and related activities of national significance.

About half of these funds were used for 34 grants under the Secretary's Discretionary Program's 1985 Field-Initiated Grants Competition. Under the announcement for this competition, applications were invited for three categories of projects-- Content: teaching what is most important for students to know in order to be enlightened citizens; Choice: providing parents with a greater voice and role in determining what and how their children are taught; and Character: instilling those fundamental qualities of mind and heart that form the basis for sound judgment. Improvement in those three areas is essential if we are to see genuine educational reform.

The other half was used to support 25 planning grants focusing on local teacher incentive structures, 12 school-based technology demonstration projects partially funded in FY 1983, a portion of the congressionally-mandated assessment of Chapter 1, captioning, storage and dissemination of educational television recordings, and the Secondary Schools Recognition Program.

In fiscal year 1986, after sequestration, $27.7 million is available for the Secretary's Discretionary Fund. About $14.5 million is being used to support the four mandated programs, and $10.2 million for dissemination activities under section 583(a) of ECIA, which includes NDN, the Elementary School Recognition Program, and publication of What Works.

Of the less than $3 million remaining, about half is supporting the congressionally-mandated Chapter 1 study, the Presidential Academic Fitness Program, the Presidential Scholars Program, and a few other small projects. The remainder will be used for an open field-initiated grants competition, for which no priorities beyond the statutory ones will be set.

In fiscal year 1985, the Secretary's Discretionary Fund for Projects of National Significance under Title II of the Education for Economic Security Act, provided $3 million in conjunction with the NSF for three television series -- 3-2-1 Contact!, the Voyage of the Mimi, and a new series on mathematice being developed by the Children's Television Workshop. In addition, funds are being used for research and evaluation, and for a grants competition to improve the quality of teaching and instruction in Science and Mathematics. We have also set aside $1 million for the Christa McAuliffe Scholars Program, which will offer prestigious seminars on scientific topics for teachers in the summer of 1987.

In FY 1986, after the 25 percent for Critical Foreign Languages is set aside, the entire balance after sequestration is being used to support the three television series.

VOCATIONAL EDUCATION

Mr. Conte: Your FY 1987 budget proposes taking vocational education from $834 million appropriated in FY 1986 to a proposed level of $401 million in FY 1987, wiping out, along the way, all funds for program improvement and innovation, and maintaining only funding for programs for disadvantaged populations. Is it your opinion that the Federal Government should be more concerned about preparing students for college than about preparing students for a job?

Secretary Bennett: Not at all. Since I have been Secretary, I have said repeatedly that training and education for a job are as important as any other kind of training. But there are very serious questions about what the best high school education should consist of for young people who are not planning to go to college.

The Committee on Economic Development, which represents employers, says that schools need to make a greater effort to help these students develop "higher-level skills, such as problem solving, reasoning, and learning ability....the same attributes that are crucial to success in higher education." The CED further states that students should be required to achieve "an adequate level of academic competence" before entering training for specific occupations.

We believe that, once students achieve that necessary level of academic competence, there are plenty of sources of support for specific job training -- from the several billions spent by the Labor Department, to the programs offered by community and technical colleges (for which many students are eligible for Federal aid), to the $30-$40 billion spent annually by corporations themselves. The reduction we are proposing in Federal spending for vocational education seems small indeed compared to these other sources of support.

REHABILITATION BASIC STATE GRANT

Mr. Conte: And in the Rehabilitation area, the Basic State Grant is considered a mandatory entitlement program, requiring at least an increase for cost of living. In fact, Gramm-Rudman-Hollings categorizes this program as one of those that receive automatic cost of living adjustments, from which automatic sequestration is limited to a portion of that adjustment. Given that statutory framework, on what basis do you propose reducing the program from its fiscal year 1986 appropriated level of $1.19 billion to $1.1 billion, less than the 1986 postsequestration level?

Secretary Bennett: In the case of the State Grant program, we are proposing to continue support to the States at $1.1 billion, the same as the 1985 level. While we support the purpose of the Rehabilitation program, we do not consider the State Grant program a mandatory entitlement. The Department cannot support increased spending authority at a time when spending restraint is essential to reduce the deficit. Increases must be carefully considered on a case-by-case basis and justified based on convincing programmatic reasons, supported by hard data, and in the context of other Government-wide goals and priorities.

REAUTHORIZATION OF THE REHABILITATION ACT

Mr. Conte: Is it true that your proposal for the reauthorization of the Rehabilitation Act sent up yesterday would eliminate the cost-of-living adjustment?

Secretary Bennett: The Department's proposal would authorize $1,100,000,000 for State Grants in 1987, the President's Budget request level, and such sums as are necessary for the four succeeding years. We oppose maintaining automatic increases as part of the authorization. Such increases cannot be sustained if Federal spending is to be controlled. In addition, building explicit inflation increases into authorized levels of Federal spending can exert upward pressure on the overall inflation rate. Increases should be tied to need or a well documented rationale for increased funding. The "such sums" provision provides Congress full flexibility to appropriate necessary funds without mandating artificial increases driven by an index.

LEARNING DISABLED

Mr. Conte: Finally, in this area, in both the House Report and Conference Report, we asked you to head an interdepartmental effort on the education and development of the learning disabled. Could you tell us whether any activities in this area have been initiated?

Secretary Bennett: In response to these directives, the Department transmitted a report on research in learning disabilities to the Committee on April 9, 1986. This is the second report submitted to the Committee on the activities of the agencies directed to participate in the Interagency Committee. As discussed in the April report, this Interagency Committee on Learning Disabilities is duplicative of an Interagency Committee on Learning Disabilities established by Public Law 99-158, the Health Research Extension Act of 1985. The Director of the National Institutes of Health was given the responsibility of convening the Interagency Committee under the Health Research Extension Act.

In an effort to avoid duplication of effort, the Department of Education will integrate its on-going study of learning disabilities research needs into the activities of the Health Research Extension Act Interagency Committee on Learning Disabilities. The Acting Director of the National Institute of Handicapped Research was designated as the Department of Education's official representative to this committee. That official, Dr. Alton Hodges, is now Deputy Director of NIHR and will continue to represent the Department on this committee.

INCREASE FOR RESEARCH AND IMPROVEMENT

Mr. Conte: You are proposing a $10 million increase over the 1986 appropriated level and a $13 million increase over the post-sequester level for the Office of Educational Research and Improvement. Why, out of all the worthy programs in the Department, is this the one that should receive an increase in FY 1987?

Secretary Bennett: This Department has no function more important than the production of high quality research and accurate, timely, and useful statistics and other information about the condition of all levels of American education -- from elementary through post-graduate. I am firmly committed to strengthening the Department's statistics and research capability in order to produce data and studies that will be useful to parents, teachers, administrators, scholars, and legislators, as well as to the Department itself.

We are in the midst of a national reform movement in education, and the need is now greater than ever to provide honest and accurate information about what is working, what is not working, and why. This is not only a good investment, but also an economical one: Our total request represents less than 1/2 of 1 percent of the Department's total FY 1987 request, and it is an infinitesimal fraction of the Nation's $260 billion educational enterprise.

OERI REORGANIZATION

Mr. Conte: The Office of Educational Research and Improvement has been reorganized at your initiative. Please describe the reorganization, and what has been accomplished through the reorganization?

Secretary Bennett: The reorganization, which became effective on October 27, 1985, replaced the National Institute of Education (NIE), the National Center for Education Statistics (NCES), and the Center for Libraries and Education Improvement (CLEI) with five new program offices:

1. The Office of Research, which supports high-quality fundamental research at every institutional level of education on such topics as the processes of teaching and learning, school organization and improvement, the content of education, and factors that contribute to (or detract from) excellence in education. Research is conducted primarily by scholars outside the Government and may be either field-initiated or targeted to announced priorities. Research here and elsewhere in OERI is judged by a rigorous peer review process, both for the making of awards and in evaluating research products. The majority of NIE's former responsibilities, including research and development centers, field-initiated research, technology studies, comparative studies, and in-house research, is now located within this office.

2. The Center for Statistics, which gathers, analyzes, and synthesizes qualitative and quantitative data on the characteristics and performance of American education, and makes such information available to those who need it in an accurate, reliable, and usable form. Most of the responsibilities of the former NCES are housed here, as are the National Assessment of Educational Progress and education economic analysis by transfer from NIE.

3. Programs for the Improvement of Practice, which brings together and adds coherence to several educational improvement programs currently located in different units of the Department. This office supports projects initiated at the State and local levels which promise to improve teaching and learning in the Nation's schools and colleges, and disseminates information and research findings about successful educational practices. Included are the regional educational laboratories (which play a pivotal role in translating research findings into educational practice through dissemination, technical assistance, and training), the Elementary and Secondary School Recognition Program, the National Diffusion Network, the Excellence in Education program (authorized under Title IV of the Education for Economic Security Act [ESEA]), and the Secretary's discretionary programs, which include: the Chapter 2 Secretary's Discretionary Fund authorized by Section 583 of the Education Consolidation and Improvement Act of 1981 (with the exception of categorical programs mandated by Section 583[b]),

and the Science, Mathematics, Computer Learning, and Critical Foreign Languages Secretary's Discretionary Fund authorized under Section 212 of ESEA.

4. Information Services, which is a clearinghouse for persons and organizations seeking information on education statistics and research. By creating a separate information office, we have elevated the importance of prompt dissemination of research results and information on education. This service places a high priority on responding quickly to inquiries and includes a computerized data bank, the Educational Resources Information Center (ERIC) system, various publications, and the OERI Research Library (previously the NIE Library).

5. Library Programs, which continues to make Federal grants to support operations of public libraries, aid research libraries, and support interlibrary cooperation. This unit subsumes the library programs of CLEI, including programs for training, research and demonstration, public library grants, research libraries, and interlibrary cooperation.

The new OERI is headed by an Assistant Secretary appointed by the President, with the advice and consent of the Senate, and by two Deputy Assistant Secretaries appointed by the Secretary (one for operations and the other for policy and planning). The statutory positions of Director and Deputy Director of NIE, both Presidential appointments, have been discontinued.

The Assistant Secretary also serves as principal policy advisor to the Secretary on research, statistics, and other matters within the scope of the new OERI. To improve coordination of research activities throughout the Department, a new Department-wide task force on research priorities has been created and is chaired by the Assistant Secretary.

The National Council on Educational Research, a Presidentially-appointed oversight panel for NIE, has been given additional responsibilities for all other activities of the new OERI, and its mission has been modified to emphasize its role as an advisory body. The Advisory Council on Education Statistics continues to perform its statutory functions. In addition, the NIE contracts and grants administrative support function has been centralized in the Department's Office of Management.

Mr. Conte: What are your goals for this new organization?

Secretary Bennett: Although OERI has been operating under its new structure for only five months, we are already seeing progress toward our goals to accomplish the following:

- Improve the quality of the educational research and statistics-gathering enterprises, research products, and service to the public.

- Improve the dissemination of research products and statistical information to both educational practitioners and informed laymen, and emphasize the involvement of skilled practitioners in all phases of OERI's activities.

- Ensure that research supported by the Department is conducted primarily by external groups and individuals and, when appropriate, by equally well-qualified internal researchers.

- Improve coordination of the Department's educational research, statistics, and improvement activities by establishing clearer and more rational lines of authority and by organizing units along functional lines.

- Underscore the Department's commitment to supporting and disseminating the results of exemplary efforts to improve education at all levels.

- Maintain a commitment to a strong peer review system.

GSL SUPPLEMENTAL

Mr. Conte: Are we going to see a supplemental request for GSLs in fiscal year 1986, which was listed in the President's budget as proposed for later transmittal?

Secretary Bennett: We are not seeking a supplemental at this time. Due to changing Treasury bill rates, loan volume and other factors, it is not yet clear whether or to what extent a supplemental appropriation may be needed to meet GSL program costs. Updated economic assumptions from OMB which are more on line with actual experience will affect program costs. Also, as second quarter data on loan volume, origination fees, interest subsidy billings, default costs and collections become available within the next few weeks, we will be in a better position to develop cost re-estimates, and determine if a supplemental is necessary. We will forward to the Committee the results of our cost re-estimation and our assessment of the need for a supplemental as soon as these are completed.

PELL GRANTS

Mr. Pursell: Mr. Bennett, the University of Michigan is in my district, and I am concerned about the level of funding for the Pell Grant program for the coming school year. According to your budget documents, the current level of funding will result in 290,000 students being cut out of the program nationwide. It also has been estimated that another 768,000 students will receive reduced awards. According to data provided by the University of Michigan, the funding level will result in a 17 percent reduction in Pell Grant funds, or a $677,000 funding decrease at the Ann Arbor campus for the coming school year. The cut affects many, many students whose family incomes are below 20 thousand dollars per year, as well as students whose family incomes are in the 20 to 30 thousand dollar per year range. Do you think that the program should be reduced this much for the coming school year?

Secretary Bennett: As part of our effort to reduce the Federal deficit, a lower funding level for Pell Grants in 1986 is necessary in order to avoid even deeper cuts in the future.

Although linear reduction will deny assistance to 290,000 students, and an additional 768,000 will receive reduced awards, 1.9 million low-income students will be unaffected by the reduction. A student from a family of four with an income of $23,900 could still receive a Pell Grant at the proposed reduction level.

TITLE VII

Mr. Pursell: I also am concerned about the proposed funding level or lack thereof for the Title VII program--grants for construction and renovation of academic facilities. Title VII was funded at $28 million in fiscal year 1985 and at $10 million in fiscal year 1986. The post-sequestration fiscal year 1986 funding level is $9.57 million. However, because of the Administration's budget proposals--including rescissions and zero funding for the subsequent fiscal year--the Department apparently has not moved to set the grant process in place. What is the status of this program?

Secretary Bennett: Because this program last made discretionary grant awards over a decade ago (and the program statute has undergone significant changes since then), revised regulations had to be drafted. In this regard, and in view of the broad discretion of the Secretary in setting priorities and in awarding grants, we deliberated extensively in the interest of developing a regulatory framework that we think will assure effective and cost-efficient use of the limited funds available. These regulations are expected to be published in May, 1986 as a Notice of Proposed Rulemaking, and public comment is being invited.

Mr. Pursell: When do you expect to announce application availability to institutions?

Secretary Bennett: The program's application notice will be published soon, and application forms should be available to institutions early this summer.

Mr. Pursell: When will you make awards?

Secretary Bennett: We intend to publish the program's final regulations and conduct the grant competition in sufficient time to make awards by September 30 of this year.

PRIORITY OF EDUCATION

Mr. Porter: Along with Congressman Bill Frenzel of Minnesota and Congressman Hank Brown of Colorado, I have introduced a budget proposal which calls for a freeze in outlays on the education function. It was our feeling that this was a more equitable way of distributing the pain of deficit reduction. As it now stands under the President's request, foreign aid would receive a 12% increase and defense would receive an 8% increase while education programs would face substantial cuts. Do you think this is fair? Isn't the education of our young people to some extent an investment in national security?

Secretary Bennett: Yes, the investment in the education of our children is an investment in our national security, and we spend $276 billion on education in this country, $22 billion more than defense. However, Federal spending should be relative to the most important responsibilities of the Federal Government. A fundamental Federal responsibility is the defense of our country. States and localities cannot effectively establish and maintain a national defense; that function can only be carried out at the Federal level. Education, by contrast, has traditionally been supported with State, local and private funds. Approximately 93 percent of all education spending in the United States is provided from these non-Federal sources. It is they--the States and localities, not the Federal Government--that bear the primary responsibility for supporting education.

Also, within the education function, we should set priorities among programs and activities. The President's FY 1987 Budget reflects what the Administration sees as the appropriate Federal role in education. Upon review of the effectiveness of the Department's programs, the appropriate Federal role in education, and the budget constraints created by Gramm-Rudman-Hollings, we have emphasized four funding priorities: improving the quality of education at all levels; providing educational opportunities for the poor, the handicapped, and the disadvantaged; emphasizing elementary and secondary education because of the critical importance of education in the early years; and, maintaining funding for core Federal Government functions, rather than activities of more marginal value.

Additionally, the healthy economy that we have witnessed the past few years has enabled the education dollar to buy more than it did in the past. As a result of less inflation and greater economic growth, total education spending, adjusted for inflation, has increased by $22.1 billion, almost ten percent between 1981-2 and 1984-5. In fact, because of the improved economy, States and localities have increased their education spending in recent years.

Mr. Porter: I might add that we discovered that a freeze on total outlays at the FY '86 levels, along with a few judicious cuts, met the FY '87 Gramm-Rudman target for deficit reduction. Wouldn't the freeze approach be a more equitable way to go?

Secretary Bennett: The President's FY 1987 Budget is based upon the assumption that the targets for deficit reductions imposed by Gramm-Rudman-Hollings should be achieved by making decisions about priorities. Reducing the deficit requires making these tough choices about the relative importance of various government functions. Reasonable people may differ about what the most important national priorities are, and there may indeed be more than one way to meet the targets. The President's budget proposals for FY 1987, however, represent our best judgment on this issue.

IMPACT AID

Mr. Porter: The average cost of education in this country has risen drastically in the past five years. Impact Aid, which is based on half of the national average of per pupil costs, has not kept up with this increase. In view of the fact that the Federal Government brings to a community children of, say, military personnel who live on the base, buy on the base, but do not pay sales tax or property tax, is this fair to these school districts?

Secretary Bennett: Section 3 Impact Aid payments are designed to assist school districts burdened by the presence of tax-exempt Federal property in their districts and increases in school enrollment due to Federal activities. They provide that portion of the education revenues for federally connected children that could have been raised if the Federal property the children are connected with were subject to local property taxes.

Local contribution rates are assigned to every Section 3 applicant to approximate the amount per child that could have been raised locally from taxes on the Federal property. The minimum local contribution rate guaranteed under the program statute is the greater of one-half the State or national average per pupil expenditure. These rates are used in the computation of each district's Section 3 entitlement and payment.

As indicated by the legislative history of the Impact Aid program statute, the basis for the minimum rate followed an assumption that locally raised funds amounted to approximately half of a district's total funds for educational expenditures. Today, more and more States are providing a greater share of the cost of educating elementary and secondary students. To the extent States provide a greater share of the cost of education, local shares decline and Federal Impact Aid payments are appropriately reduced.

Mr. Porter: Shouldn't we be paying the actual cost of educating these children?

Secretary Bennett: No, Impact Aid funds are intended to make up reduced or lost local revenues only. State education funds must be provided for all children attending public schools, including federally connected children, and those funds generally make up at least half of average per pupil expenditures.

Mr. Porter: Aren't we short-changing not only the local school district, but also the children of military personnel?

Secretary Bennett: No, the children of military personnel who are enrolled in public schools receive a free education comparable to that provided to any other children who attend public schools.

Mr. Porter: Can't the argument be made that this program should not be subject to budget considerations, but should be viewed more in terms of a contract with the affected school districts?

Secretary Bennett: This argument could be made, but, in fact, the program is based on a Federal responsibility created when Federal activities impose a financial burden on local school districts. Because some children currently funded under this program do not constitute a burden to their school districts, we believe the level of funding for this program can be reduced without risk to the fulfillment of that responsibility.

Mr. Porter: Would you support funding of Impact Aid through the Department of Defense?

Secretary Bennett: No, we believe it is more appropriate for the Impact Aid program to continue to be funded and operated by the Department of Education. Although this is not actually an education program, there are education concerns that must be taken into consideration in the operation of the program, e.g., changes in State and local school finance, requirements for education of the handicapped, special requirements for programs for Indian children, etc. This Department is in a better position to know what these concerns are and how they relate to this program and, also, what other Education programs need to be coordinated with this program.

It is important to remember also that school districts receive payments for several types of federally connected children, not just military dependents. Children of military personnel currently account for only 27 percent of all Impact Aid children. Because DoD has a particular interest in one group of children served by this program, that agency may not be able to consider the interests of the other eligible children when making policy decisions.

NATIONAL DIFFUSION NETWORK

Mr. Porter: Last year, you stated to this Committee that you thought the National Diffusion Network (NDN) was a wise use of Federal funds. Do you still feel this way, and do you plan to continue this important program?

Secretary Bennett: Yes, I feel that the NDN program does a good job of disseminating program information and we intend to continue the program in fiscal year 1987.

Mr. Porter: Would you favor a separate authorization for NDN?

Secretary Bennett: The NDN program is presently funded under the authorization of the Chapter 2 Secretary's Discretionary Fund. I feel it would be unwise to authorize it as a separate categorical program.

Mr. Porter: In accordance with the report language in last year's bill, are you prepared to report to this Committee on the Department's efforts to expand NDN programs?

Secretary Bennett: The report you mention has already been delivered to the Committee. In it we have reported on our activities regarding the dissemination of exemplary math and science projects, as specified by the Committee. In 1986, NDN is operating 33 math/science projects and will undoubtedly fund some new projects in these areas since they are once again priority areas for 1986.

Mr. Porter: It is my understanding that the Joint Dissemination Review Panel has been dismantled or is about to be dismantled. Could you comment on the reasons for this and tell me what will replace the Joint Dissemination Review Panel?

Secretary Bennett: We are currently reviewing the NDN regulations and will soon be recommending some changes for both the program and for the Joint Dissemination Review Panel (JDRP). At this time, we do not have any plans for dismantling the JDRP, but we are considering ways by which it could be improved.

BILINGUAL EDUCATION

Mr. Porter: Mr. Secretary, I am an original co-sponsor of your bilingual education initiative and commend you for this wise proposal. I agree with you that we need to move in the direction of granting local school districts more flexibility in developing bilingual programs. Could you describe to the Committee in detail what your initiative entails?

Secretary Bennett: As you know, the legislative proposal which you co-sponsored is directed exclusively to increasing the discretion of schools to design programs for local children. It would simply remove the cap on funding for Special Alternative Instructional Programs and the requirement that 75 percent of Part A funds be spent for Transitional Bilingual Education projects. If enacted, this would enable the Department to fund applications on the basis of quality, without regard to instructional approach. New regulations, which will be issued early next month, also reflect the policies announced in the Bilingual Initiative. The major objectives of these regulations are to:

1) Inform local educational agencies that the Bilingual Education Act gives them substantial discretion to determine the extent of native language use in Transitional Bilingual Education projects;

2) Expand parental involvement in the educational decisions affecting their children;

3) Increase emphasis on building local capacity to operate programs of instruction for limited English proficient persons; and

4) Ensure that limited English proficient children become proficient in English as quickly as possible so that they can participate effectively in the regular educational program.

Mr. Porter: This idea has been endorsed by the New York Times, the Boston Globe, and the Washington Post. What do you think the prospects are for adoption of this proposal by Congress?

Secretary Bennett: The Department's Office of Legislation has contacted all 100 Senators and a large number of congressmen to gauge the support for this legislation. There appears to be strong congressional support and we expect that the bill will become law. As you are aware, the bill had 9 co-sponsors in the Senate and 22 co-sponsors in the House.

VOCATIONAL EDUCATION

Mr. Porter: Your budget request includes a rescission of $210 million along with additional cuts of another $195 million for vocational education programs. The FY ´87 request is over 50% less than the FY ´86 appropriation. Why such major cuts in these programs at a time when our economy is undergoing such rapid change? States like Illinois are under a great deal of stress as a result of significant fluctuations in the economy. Isn´t vocational education and training all the more important under these circumstances?

Secretary Bennett: Many recent educational reports, including the one by the Committee for Economic Development, speak of the need for a common base of educational performance and literacy among all students, whether those students are going on to college or work. I think that a sound basic high school education should prepare them for both.

Our budget proposes to focus most of our Federal dollars on those populations who are most in need--the disadvantaged, the handicapped, the limited English proficient, and others. The reduction that we are proposing represents a very small portion of total funding available for vocational education and training. Since non-Federal sources contribute $11 for every Federal dollar spent on vocational education, we believe this reduction will help keep Federal expenditures down while having only a small effect on the total vocational training enterprise.

STUDY OF SCIENCE AND ENGINEERING EDUCATION

Mr. Young: Mr. Secretary, as you know, the Committee expressed its concern last year about the decreasing number of Americans receiving degrees in the report to accompany the Department of Education Appropriations bill. The Committee also urged you in the report to coordinate a study in conjunction with many other Federal agencies that support the study of science and engineering, to assess the Federal role in this area of education and to recommend ways Congress can better coordinate and strengthen these efforts.

What is the status of this study and do you have any findings you can report to the Committee?

Secretary Bennett: We have had some discussions with the Department of Defense and other Federal agencies about the decreases in Ph.D completion by Americans in the sciences, but we have not, because of resource constraints, initiated a formal study of the problem. Because the National Science Foundation (NSF) has the preeminent Federal role in tracking production of science and engineering doctorates and in supporting the development of scientific manpower, we would suggest that NSF be given the lead in undertaking any major studies of the Federal role in this area. We would be happy to support NSF in undertaking such a study.

Mr. Young: As I have the dual responsibility of serving on this subcommittee as well as the subcommittee on defense, is there any way I can be of assistance to you in coordinating your study with the Department of Defense?

Secretary Bennett: That should not be necessary. We have a very good relationship with the Department of Defense, and have worked cooperatively with them through our Joint Committee on Education and Training for National Security. While we believe that NSF should be given responsibility for scientific manpower studies, we have no trouble coordinating with the Defense Department on matters of common concern.

COOPERATIVE EDUCATION

Mr. Young: Mr. Secretary, like my colleagues on the committee, I have received letters from colleges and junior colleges throughout our nation expressing concern about the proposal in your budget to rescind funding this year for the Cooperative Education program and to provide no funding for the program next year. I have discussed the proposal with officials of the St. Petersburg Community College, in my district, who attest to the value of this program and the significant rate of return this program provides by enabling students to combine their studies with paid work experiences. As a result, students are able to help put themselves through school, further themselves in the field of study, and make a contribution to the Federal Government through taxes paid on their earnings.

Can you explain your rationale for eliminating this program and do you propose any alternatives that would serve student needs?

Secretary Bennett: The Cooperative Education program was begun to demonstrate the effectiveness of this educational methodology, and to encourage institutions to initiate such efforts on their campuses. We believe that this program has been successful in accomplishing both purposes.

You have clearly stated in your question the reasons why Cooperative Education has been effective. Its success is further evidenced by the fact that many institutions have adopted this educational approach. While fewer than 200 institutions offered Cooperative Education programs in 1970, nearly 1,000 institutions offer such programs today. Most of the institutions which have begun to offer cooperative education since 1970 have done so after receiving a grant but continue to offer such programs without additional Federal funds. Therefore, there is no longer a need for Federal encouragement in this area.

As enrollments decline and increasing numbers of students demand cooperative education programs, institutions will be financially motivated to support such programs on their own. This is also an area in which institutions have been very successful in obtaining private sector support.

BUDGET REDUCTIONS FOR LIBRARIES

Mr. Young: This being National Library Week, I would like to ask you about your budget proposals to rescind a large portion of your budget for library programs this year and to provide no Federal funding for library programs next year. Can you explain this budget request, and do you provide for library funding in other areas of your budget?

Secretary Bennett: Our budget proposal is based on the recognition that State and local governments already provide the majority of funding for library activities, and it is appropriate that they now assume full responsibility for basic library services. Other public and private sources of funds can be made available in support of the library discretionary activities. Eliminating the library programs also reflects the Administration's commitment to reducing unnecessary Federal spending in order to reduce the deficit; therefore, we have not funded them elsewhere in the budget.

Mr. Young of Florida

Secretary of Education

Mr. Chairman, I want to welcome Secretary Bennett to our Committee today and to commend him for the dedication and vigor with which he has promoted the need for improving the quality of educational programs for our nation's youth.

Mr. Secretary, in your statement you discuss what you believe are the highest priorities for federal involvement in education. While I agree that the four areas you cite are important, I would add another area of federal concern to your list, that being a remewed commitment by our nation to improve and expand our scientific and engineering research base.

During the 10 year period between 1973 and 1983, the number of U.S. citizens receiving doctoral degrees in engineering fell by more than 40 percent. At the same time, the number of foreign national students receiving U.S. engineering degrees continued to rise, to the point where in 1984 more foreign national students received U.S. advanced degrees in egineering than American students. This is an unsettling trend to me because our nation has always prided itself on being the undisputed world leader in the development of new technologies. Our nation's superiority in the field of technology is being challenged, and I believe this is in part due to a weakening scientific and engineering base.

As a member of the Appropriations Committee, my major area of responsibility is in the field of national security. During hearings of the Appropriations Subcommittee on Defense, we have been told for some time that our adversaries, particularly the Soviet Union, have begun to close the gap on our technological lead. Our nation has long rested assured (knowing,) that even though the Soviets outman us in troop strength and in the number of armaments, that our national security was safe because we maintained a technological edge due to our superiority in research and development.

Soviet leaders, however, have undertaken an effort to match our technological advances. According to a recent report by the Secretary of Defense, The Soviet Union has assembled the world's largest pool of scientists and engineers, with more than 900,000 Soviets working in the fields of research and development. If you add in the more than one million Soviet support personnel in this field, the Department of Defense estimates the Soviets account for one-fourth of the world's pool of people engaged in research and development.

When you factor in the amount of technological information that the Soviet's steal or buy from our nation -- technologies our nation has spent millions of dollars and thousands of man hours devloping which the Soviets receive at minimal or no cost -- it is no wonder that our nation's defense analysts warn that our ~~nation's~~ technological edge continues to erode to the point where the Soviets may actually have a technologocal superiority in certain fields.

Mr. Chairman, I would like to include for the record a letter I have received from Dr. Glenn A. Burdick, Dean of the University of South Florida College of Engineering, who shares my concern about a declining commitment to educational programs for science and engineering.

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March 3, 1986

RECEIVED
MAR 07 1986
C. W. BILL YOUNG, M.C.

The Honorable Bill Young
U.S. Congress
2266 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Young:

On behalf of the American Society for Engineering Education I urge you to sustain as a federal priority substantial support for the country's academic scientific and engineering base. In seeking solutions to our national fiscal ills we should look to those investments which promise multiple benefits; the research and education provided by our science and engineering schools fulfills just such a promise.

First, basic research is the vital, initial step on a long path leading to the eventual development of new technologies, new products, new jobs. Without this curiosity-driven investigation into unknown territory and untried possibilities, we have no well from which to draw the innovative ideas that will see us into the 21st century as the preeminent global technology leader.

Second, when such basic research is conducted through our colleges and universities we garner another critical dividend: a particularly relevant dimension is added to the education of our future scientists and engineers. The job of teaching tomorrow's innovators all they need to know is becoming more difficult. Participation in cutting-edge research opens up a window on the kind of "real world" problems our students will tackle as they take their places in the work force.

Support for research alone, of course, is not enough. The academic environment is constantly revitalized by the infusion of new, young minds, many of whom need financial assistance to stay in school. This problem is particularly acute in engineering at the graduate level. Its effects can in part be seen in each of the one out of twelve vacant engineering faculty positions across the nation. Scholarships, fellowships and assistantships must be readily-available and competitive with starting salaries in industry if we are to attract our finest talent to graduate school and to faculty positions.

The President has proposed a modest increase in current federal funding for basic research from $8 billion to $8.6 billion for the upcoming fiscal year. We applaud his commitment to this critical national resource. Of particular importance is the increasing prominence of the National Science Foundation as a catalyst for

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channeling those research dollars -- as well as badly-needed student and equipment support -- into our schools. Through the peer review process of the NSF we see vital federal dollars invested in the research and people who will make a difference. The proposed 8.4% increase to NSF's $1.5 billion base clearly recognizes the effectiveness of this agency. The Foundation's fine efforts under the helmsmanship of Director Erich Bloch deserve, I firmly believe, the unwavering faith and support of Congress. I encourage you to support a continued commitment to the federal investment in basic research and in the work of the National Science Foundation as you face this year's challenging budget process.

Sincerely,

Glenn A. Burdick
Dean

GAB:sb

WEDNESDAY, APRIL 9, 1986.

COMPENSATORY EDUCATION FOR THE DISADVANTAGED

WITNESSES

LAWRENCE F. DAVENPORT, ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

MARY JEAN LeTENDRE, DIRECTOR, COMPENSATORY EDUCATION PROGRAMS, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

JOHN STAEHLE, ACTING DIRECTOR, MIGRANT EDUCATION PROGRAM, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

THOMAS B. IRVIN, ACTING DEPUTY DIRECTOR, OFFICE OF SPECIAL EDUCATION PROGRAMS, OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

LAWRENCE L. BROWN, III, DIRECTOR, DIVISION OF ELEMENTARY, SECONDARY AND VOCATIONAL ANALYSIS, OFFICE OF PLANNING, BUDGET AND EVALUATION

Mr. NATCHER. At this time, we take up the budget request for fiscal year 1987 for Compensatory Education for the Disadvantaged. We have before the committee Mr. Lawrence F. Davenport, the Assistant Secretary for Elementary and Secondary Education.

Mr. Davenport, tell us who you have with you at the table.

INTRODUCTION OF WITNESSES

Mr. DAVENPORT. Mary Jean LeTendre, Director of our Compensatory Education programs, to my far right, Lawrence Brown, Director, Elementary, Secondary, and Vocational Analysis Division, Office of Planning, Budget and Evaluation; and to my immediate left is John Staehle, Acting Director, Migrant Education Programs, Office of Elementary and Secondary Education; and to his far left, Thomas B. Irvin, Acting Deputy Director, Office of Special Education Programs, Office of Special Education and Rehabilitative Services.

Mr. NATCHER. We are glad to have all of you before the committee. At this time, we will be pleased to hear from you.

OPENING STATEMENT

Mr. DAVENPORT. Mr. Chairman, if my entire statement would be placed in the record, I would like to give a summary of that.

Mr. NATCHER. That would be fine.

Mr. DAVENPORT. I am pleased to appear before your committee to discuss the 1987 budget request for Compensatory Education for the Disadvantaged. We are requesting $3.7 billion for fiscal year 1987.

This request, which is a $159 million increase over the 1986 amount available after sequestering, would restore Chapter 1 funding to its 1985 and 1986 appropriated levels.

Our request recognizes the urgent need to curtail expenditures and control the Federal deficit while maintaining the Federal Government's commitment to helping States and localities meet the special educational needs of disadvantaged children.

Despite the fiscal constraints that we face, the activities supported within this account remain high priorities within the Department and make up 24 percent of its 1987 budget request.

Within our 1987 request, we would increase funding for Chapter 1 Grants to Local Educational Agencies and Evaluation and Technical Assistance to an amount greater than their 1986 appropriation levels.

The Neglected and Delinquent Program, the Handicapped Program, and State Administration would be restored to their 1986 appropriation levels.

We would reduce funding for the Chapter 1 Migrant Education program to reflect a proposed legislative reform that would focus funds more effectively on children who actually migrate.

Finally, no funds are requested under this account for the High School Equivalency Program, HEP, and College Assistant Migrant Program, CAMP, because they would be merged with similar outreach and special services programs in our higher education reauthorization proposal in 1987.

Likewise for 1986, we are proposing a recision for HEP and CAMP that would terminate their funding because they duplicate other Federal program services and are expensive for the number of students served.

My colleagues and I will be happy to respond to any questions you may have.

[The statement of Mr. Davenport follows:]

DEPARTMENT OF EDUCATION

Statement by the Assistant Secretary for

Elementary and Secondary Education

on

Compensatory Education for the Disadvantaged

Mr. Chairman and Members of the Committee:

I am pleased to appear before your committee to discuss the 1987 budget request for Compensatory Education for the Disadvantaged. We are requesting $3.7 billion for fiscal year 1987. This request, which is a $159 million increase over the 1986 amount available after sequestering, would restore Chapter 1 funding to its 1985 and 1986 appropriated levels. Our request recognizes the urgent need to curtail expenditures and control the Federal deficit while maintaining the Federal Government's commitment to helping States and localities meet the special educational needs of disadvantaged children. Despite the fiscal constraints that we face, the activities supported within this account remain high priorities within the Department and make up 24 percent of its 1987 budget request.

Within our 1987 request, we would increase funding for Chapter 1 Grants to Local Educational Agencies and Evaluation and Technical Assistance to an amount greater than their 1986 appropriation levels. The Neglected and Delinquent program, the Handicapped program, and State Administration would be restored to their 1986 appropriation levels. We would reduce funding for the Chapter 1 Migrant Education program to reflect a proposed legislative reform that would focus funds more effectively on children who actually migrate. Finally, no funds are requested under this account for the High School Equivalency program (HEP) and College Assistance Migrant program (CAMP) because they would be merged with similar outreach and special services programs in our higher education reauthorization proposal. Likewise for 1986, we are proposing a rescission for HEP and CAMP that would terminate their funding because they duplicate other Federal program services and are expensive for the number of students served.

Grants to Local Educational Agencies

Chapter 1 Basic Grants to Local Educational Agencies remains the primary vehicle for providing compensatory education services to the disadvantaged. We are requesting over $3.2 billion for this program, which is $199 million more than the 1986 amount available after sequestering and $61 million greater than the original 1986 appropriation. The requested increase results from the shifting of funds from the State migrant program where they would no longer be needed as a result of the proposed migrant education reform. These additional funds would help school districts meet the needs of formerly migrant students who remain educationally disadvantaged but no longer qualify for the Migrant Education program.

At this level nearly 14,000 school districts, 90 percent of the districts in the United States, would again receive Chapter 1 funds in school year 1987-88. We estimate that school districts would serve between 4.9 and 5.1 million children. However, this range is strictly an estimate because local school districts, not the Federal Government, determine the actual number served and thus the Federal contribution per child in any year. Program data attest to the large variation in the ways States and localities choose to use their Federal funds. In the 1983-84 school year, which is the latest year for which actual participation data are available, the program served 4.8 million children and the average Federal contribution per child ranged from $390 to $1,133 depending on the State.

State Agency Programs

For the Chapter 1 Migrant program we are requesting $203 million, a reduction of $51 million below the 1986 postsequester level. Of this amount $5 million would support the Migrant Student Record Transfer System and the remainder would support compensatory education activities provided by the State. Our request reflects a proposed legislative change that would affect the length of time that a child may be eligible to receive services as a "formerly migrant child." Program data indicate that 62 percent of all students counted for the 1986-87 school year allocation are "formerly migrant" students who have not moved in the previous year, and that over 72,000 "migrant" students have have remained in the same school system for at least four consecutive years. Children who no longer migrate, but who are educationally disadvantaged, are more properly served under the Chapter 1 LEA Grant program.

Our proposed 1987 policy would enable us to focus program funds more appropriately on children whose education has most recently been affected by their migrant status. Under this proposal, children who are in their fourth and fifth year of eligibility as formerly migrant children would no longer be eligible for services or counted for allocation purposes. We would, however, maintain the current level of Federal support for an estimated 312,000 full-time-equivalent students (including summer participants) who are currently migratory or who are in their first, second, and third year of eligibility for services as formerly migratory children.

We are requesting $150 million in 1987 for the Chapter 1 Handicapped program. This is $6 million more than the 1986 postsequester level and would restore the program to its 1986 appropriation level. We expect States to serve about 254,000 children with a Federal contribution per child of roughly $591. No policy changes are proposed in fiscal 1987.

For the Neglected and Delinquent program, we are requesting $33 million, the same as the 1986 appropriation level. This is a $1 million increase over the 1986 postsequester level. At this level, States could continue to provide services to an estimated 48,000 students with an average Federal contribution of $685 per child. No policy changes are proposed.

Other Programs

To provide for the various administrative requirements of Chapter 1, we are requesting $36 million for State Administration in 1987. This is the same as the 1986 appropriation level and $2 million more than the 1986 postsequester level. Each State would receive an amount that is proportionate to its total Chapter 1 allocation, but no less than $225,000.

The 1987 request for Evaluation and Technical Assistance is $6.2 million, which is $1 million more than the 1986 appropriation and $1.2 million more than the postsequester level. Under this request the Department would begin three separate studies of the Chapter 1 Migrant, Handicapped, and Neglected and Delinquent programs. Evaluation data for these programs are either old or non-existent. These studies would provide descriptive information on program operations and examine their effectiveness. They are necessary if the Department and Congress are to make informed program and budget policy. The remaining funds would provide assistance to State and local officials through regional technical assistance centers, support the Chapter 1 program improvement initiative, and enable the Department to review and analyze participation and achievement data submitted by the States through the Chapter 1 Evaluation and Reporting System.

We are again requesting that funds for this activity continue to become available immediately upon enactment of the fiscal year 1987 appropriation rather than delaying their availability until July 1, 1987, like the other Chapter 1 funds. This pattern of availability would enable the Department to begin important evaluation activities, like the proposed studies of the State agency programs, earlier in the fiscal year.

Proposed Legislation

In order to implement the 1987 budget proposal I have just outlined and to ensure the smooth operation of the Chapter 1 program, we are also proposing several amendments to the authorizing statute.

The _first_ amendment would allow the Department to use the criteria of poverty used by the Bureau of the Census in compiling the 1980 census, instead of the criteria associated with the 1970 census. This amendment would provide us with a more consistent and accurate data base on which to make the formula allocations.

The _second_ amendment would eliminate the requirement that the Department distribute a part of the 1987 Chapter 1 request on the basis of obsolete 1975 Survey of Income and Education (SIE) data.

The _third_ amendment concerns the Chapter 1 Migrant Education program. The proposed legislative change would reduce the time a formerly migrant child can be counted for purposes of allocating funds and receiving services from five years to three years in fiscal year 1987 and to two years in fiscal year 1988. Under the existing law, children are counted for allocation purposes and can receive services for five years after they have ceased to migrate. The proposed change would allow us to focus funds and services more effectively on those children who are actually migratory.

The fourth change would affect the funding authorization for migrant coordination activities by eliminating the minimum funding requirement of $6 million. This legislation would permit funding of the Migrant Record Transfer System (MSRTS) at the current $5 million level and eliminate funding for inter- and intra-State coordination activities which already take place among the States as a condition for receiving program funds.

Finally, the Administration has also submitted separate legislation authorizing the use of vouchers by parents of Chapter 1 participants to obtain the educational services that best meet their children's needs. In addition to making resources directly available to individuals, such a system would inject a healthy element of competition into the educational system, encourage parents to become more involved in the education of their children, and give local school districts more flexibility in providing disadvantaged students in parochial schools with the educational services required by Chapter 1. The legislation would not affect the allocation of funds or the selection of students served.

My colleagues and I will be happy to respond to any questions you may have.

DEPARTMENT OF EDUCATION

Office of Elementary and Secondary Education

Biographical Sketch

NAME : Lawrence F. Davenport

POSITION : Assistant Secretary for Elementary and Secondary Education

BIRTHPLACE AND DATE : Lansing, Michigan, October 13, 1944

EDUCATION : Michigan State University, 1966, B.A.
Michigan State University, 1968, M.A.
Fairleigh Dickinson University, 1975, Ed.D.

EXPERIENCE

PRESENT : Assistant Secretary for Elementary and Secondary Education

1981-1982 : Associate Director for Domestic and Anti-Poverty Operations, ACTION
1979-1981 : Provost, San Diego Community College District
1974-1979 : President, San Diego Community College Educational Cultural Complex
1972-1974 : Vice President for Development, Tuskegee Institute
1972-1972 : Assistant Dean for Special Projects, the University of Michigan-Flint
1969-1972 : Director of Special Projects, the University of Michigan-Flint
1968-1969 : Assistant Director of Student Activities, Lansing Community College

EFFECT OF SEQUESTER ON CHAPTER 1

Mr. **NATCHER**. As you know, for 1986, an amount of $158.9 million is being sequestered under the Chapter 1 program. We know that the 1986 appropriation is advance funding for 1987, but can you tell us at this time how this reduction will affect State and local Chapter 1 programs?

Mr. **DAVENPORT**. Mrs. LeTendre?

Ms. **LETENDRE**. We would expect that approximately the same number of children would be served. Those decisions have to be made at the State and local level.

However, we approximate, based on the latest figures that we have received from school year 1983–1984, there are approximately 4.8 million children being served. We would expect close to that number, perhaps about 5 million, would continue to be served, but that decision has to be made at a local district level, depending upon the number they choose to serve, and the extent of the program.

The estimated number served based on the 1986 sequester and our 1987 request would only be a conjecture on our part at this time.

Mr. **NATCHER**. If you were a State or local Chapter 1 director, how would you achieve a 4.3-percent reduction in funding? What would you do?

Mr. **DAVENPORT**. They would first need to look at their program and see if they have been offering that in the most efficient and effective manner, or if they started off 10 years ago offering a program in a certain way and continued that over the last few years.

I would also call their attention to our source book on effective programs, that give models of other programs, various levels of cost, so they would be able to share the information that they have, look to see if they need to reconstruct their own program.

Mr. **NATCHER**. Do you think State and local Chapter 1 officials are more likely to serve fewer children rather than to lower the average cost per child?

Mr. **DAVENPORT**. I don't think we have any way of knowing, but I don't believe the amount of money itself being appropriated determines the number of children being served. It is on the kind of program that is designed at the local level which will determine that factor.

Mr. **BROWN**. Mr. Chairman, it might not, from the local school district's point of view, make a whole lot of sense to drop kids for one year when the amount of money they will receive in 1987 will be the same or greater.

That is to say, we have leveled the amount of money for 1987 with the pre-sequester level in 1986.

EFFECT OF BUDGET REQUEST ON STATE ALLOCATIONS

Mr. **NATCHER**. We note on pages 43 and 44 of your justifications that the allocation to California declined by about. 03 percent, while other States' allocations decline by 10 percent, such as Texas. Why weren't State allocations reduced by a uniform percentage?

Mr. **BROWN**. Mr. Chairman?

Mr. **NATCHER**. Why not by a uniform percentage?

Mr. **Brown**. Some of those differences in that table reflect the migrant proposal we have had and continue to propose. Texas in particular would have been reduced as a result of our proposal to reform that program.

Ms. **LeTendre**. Mr. Chairman, when determining the allocations, two factors must be taken into account, one being the number of low-income children based primarily on Census poverty data; and secondly, the State per-pupil expenditures, which are updated annually and can vary. When one State varies, it impacts all other States as well.

There is no possible way with the statutory formula that it could be reduced uniformly.

Mr. **Natcher**. Go right ahead.

Mr. **Staehle**. The way this thing works is you have to determine the amount generated under the original appropriation, and how those funds would have been divided among the States, and reduce each of those amounts 4.3 percent. So it is in the amount generated, from the original appropriation, where these results are shown. Changes in per-pupil costs, the number of children counted under the formula, and so forth affect the allocation.

Mr. **Natcher**. Mr. Davenport, as you and your associates know, Secretary Bennett was with us yesterday. In fact, he spent the day here before the committee.

We said the same thing to him yesterday that we said to him the first time he appeared, and that was, "Mr. Secretary, if you are for education, you are at the right place; and if you are not, you are at the wrong place."

We are going to bring out a good bill, Mr. Davenport. We believe on this subcommittee that we have to educate our children, the greatest asset we have in this country.

Mr. Hoyer, I yield to you.

NUMBER OF CHILDREN ELIGIBLE FOR CHAPTER 1

Mr. **Hoyer**. Thank you very much. Mr. Secretary, glad to see you again.

Mr. Secretary, I am probably going to be here only a short period of time. That does not mean there is a lack of interest, but there is another hearing across the hall, so I have to go back and forth.

I tried to get some analysis as to what this budget means yesterday from Secretary Bennett, and really didn't get much, and I want to try to get a little from you, if I can.

First of all, am I correct in projecting that in the Chapter 1 program we only serve presently about 40 percent of the children in poverty families and 21 percent in non-poverty families?

Mr. **Davenport**. No, sir.

Mr. **Hoyer**. What are your percentages?

Mr. **Davenport**. We estimate that between 6 to 7.1 million children are eligible for Chapter 1 services. This range is derived from two perspectives:

The first is children from low-income families. In the 1983–1984 school year, almost 8 million children from low-income families were counted for allocation purposes. We assumed that about 75 percent, or 6 million of these children are educationally disadvantaged; that is, one or more years below the grade level appropriate for their age; and therefore, eligible to participate in the program.

The second is children below grade level. A significant number of children are educationally disadvantaged but are not poor. About 10.2 million, or 23 percent, of the students enrolled in elementary and secondary schools are educationally disadvantaged; they are one or more years below grade level.

Many, but not all, are from low-income families. Assuming that 70 percent of these children live in low-income areas that receive Chapter 1 assistance, then the number of eligible children would be around 7.1 million.

Remember that the program is designed to serve children who are educationally disadvantaged and who reside in low-income areas. School districts ultimately determine who is educationally disadvantaged. The actual child selection process is based on an assessment of needs that is conducted by each LEA.

Because the selection criteria used vary from district to district, the number and types of children also vary.

Thus, in the 1983–1984 school year, the last year for which actual data exist, Chapter 1 served slightly over 4.8 million children. Based on our estimates of the eligible population, this would mean we are providing support for between 68 and 81 percent of all eligible educationally disadvantaged children.

Mr. HOYER. Mr. Secretary, give me that percentage again.

Mr. DAVENPORT. 61 and 81 percent. Because our first estimate of the eligible population is more realistic than our second, we are supporting 80 percent of the total eligible students.

REDUCTION IN CHAPTER 1 SERVICES

Mr. HOYER. Obviously, I will have to analyze and compare those statistics with what we have.

Obviously, what we have indicates that there is going to be a reduction. Under the budget that is proposed, the Secretary agreed that there would be a reduction in the number of students served, I believe.

If he didn't, I am mistaken. Is it your presumption that the number of students that will be served under your budget proposal will remain the same, or increase?

Mr. DAVENPORT. We are adding $156 million under the LEA program, so that would mean there would be an increase in students being served.

Ms. LETENDRE. Based on the data, the firm data we have are from 1983–1984, we would expect the number of children would perhaps increase during this next year to approximately 4.95 million children, and we would expect that it would stay pretty much at that level, and in 1987, if we expected to serve about the same number of children, it would be anywhere from 4.8 to 5.1 million children, so we wouldn't expect a decrease in the number of children being served.

NUMBER OF CHILDREN SERVED

Mr. **Hoyer**. Mr. Secretary, since 1982, what has been the number of children served? Have we been going up, down, remained the same?

Mr. **Brown**. They have either remained the same, or gone up a little.

Ms. **LeTendre**. This year it is 4.8 million, last year 4.7.

Mr. **Hoyer**. What is your explanation how we stay even, going up in terms of numbers, and by the way, you indicate it is a $156 million increase?

Mr. **Davenport**. Yes, sir.

Mr. **Hoyer**. You restored the Gramm-Rudman cut?

Mr. **Brown**. But we also reallocated monies realized from savings in the Migrant program to the LEA Grant program, so in effect, the LEA Grant program is increased.

Ms. **LeTendre**. By 61 million dollars over the 1986 enacted appropriation level.

Mr. **Hoyer**. Assuming that the locals don't pick up the migrant program?

Mr. **Brown**. Two things, assuming that some of those migrant children are in fact already being served by the LEA grant program, and won't need to be served two times, and I mean it, it is assuming that, and in addition, it also assumes that some of them are not being served.

FEDERAL FUNDS FOR ELEMENTARY AND SECONDARY EDUCATION

Mr. **Hoyer**. Mr. Brown, under your proposal, the Secretary's proposal, how much additional money will be going to the States for education from the Department of Education?

Mr. **Brown**. Compared to what, is the answer.

Mr. **Hoyer**. Fiscal year 1986.

Mr. **Brown**. Compared with Gramm-Rudman? You want Gramm-Rudman? It is $115 million more.

Mr. **Hoyer**. In the Job Training Partnership Act, it has paid for 7 million dollars, and if you listen to the explanation, that they will take care of that. Is that the same kind of rhetoric where we are taking care of a lot of things? What is the total pie in terms of Federal education dollars to the States?

Mr. **Davenport**. Chapter 1, Chapter 2?

Mr. **Hoyer**. The whole ball of wax, if you give them $1 million for everything, and $959,000 the next year, you can say all you want, well, we took $50,000 out of the migrant program and put it into a general grant, have we cut the overall figure?

Do you know?

Mr. **Brown**. We have done it. It is about $2 billion.

Mr. **Hoyer**. $2 billion less to the States.

Mr. **Brown**. Not all of it goes to the States, but if you want a specific amount for the States, I would have to calculate that and provide it for the record.

Mr. **Hoyer**. States and localities, $2 billion?

Mr. **Brown**. Can we provide that information for the record, because some of that money includes postsecondary dollars.

Mr. Hoyer. I am not interested in postsecondary, for purposes of this question.

[The information follows:]

DEPARTMENT OF EDUCATION FUNDS DEVOTED TO ELEMENTARY AND SECONDARY EDUCATION—BUDGET AUTHORITY

[Dollar amounts in billions]

	1985	1986 enacted appropriation	1986 post sequester level	1986 revised level	1987 request
Amount	$7.6	$7.7	$7.4	$7.0	$6.9
Percent of total budget	40	42	41	42	46

REDIRECTING FEDERAL FUNDS

Mr. Davenport. We look at it in a different light. We are talking about how we go about redirecting the funds which are available which we would be able to increase the number of people being served.

Some of these activities we are proposing for elimination are items which we believe have served their purpose, and for one reason or another, should be eliminated.

Those funds which serve in many cases small percentages of students, those funds would be available for these other activities, so it wouldn't be a dollar for dollar reduction in the sense that you are talking about there.

We will get a bigger bang for the buck if Congress would pass the HEP and CAMP elimination we are talking about. That is a high-cost program servicing very few people, and put those dollars into the Chapter 1 program, capping on the migrant program, putting it up to three years of eligibility after a student has quit migrating rather than five, as it is now, those students in the migrant program are counted, the students who are counted are not necessarily those served.

So you have to look at this, you started off on the right approach in terms of looking at it in the big picture, and talking about how you redirect those and make sure you serve the greatest number of people.

NUMBER OF CHILDREN SERVED BY CHAPTER 1

Mr. Hoyer. Can you tell me whether this statement is wrong or not? I am taking this from a special report from the Democratic Study Group, according to the Education Department its 1987 budget recommendation would that mean that 260,000 fewer children would receive compensatory education in fiscal year 1987 compared to fiscal year 1986?

Mr. Davenport. I don't know where they received those figures.

Mr. Brown. I believe that was quoted from a press release, no other document, and it was in error in the press release. If you look at the numbers——

Mr. Hoyer. Was it in error?

Mr. Brown. Yes, it was in error.

Mr. **Hoyer**. Or it was too accurate?

Mr. **Brown**. No, it was in error. The number does not correspond with the numbers that we are giving you in the justification.

Again, to be that precise, it is really difficult. None of these programs are hard and firm, anyway. They are all estimates.

Mr. **Hoyer**. That is 5 percent, somewhere near 5 percent, a little less, 4 percent.

Mr. **Brown**. I know how that number was derived, and I know it was derived incorrectly.

1987 CHAPTER 1 REQUEST

Mr. **Hoyer**. What did you ask, Mrs. LeTendre, what did you ask for for compensatory education programs? What dollar figure did you ask for in the budget process?

Ms. **LeTendre**. I think the total budget request was close to $3.7 billion—a $61 million increase over the 1986 post sequester level.

Mr. **Hoyer**. Do you understand what I am saying?

Ms. **LeTendre**. We are talking about the Department.

Mr. **Hoyer**. When you made an analysis of what the need in America is for compensatory education, and made a recommendation to the Assistant Secretary, what was your needs analysis?

Ms. **LeTendre**. We didn't go through a process quite like that. We approached it jointly. The commitment to compensatory education in relation to other budget commitments was greater.

We asked for an increase in funding because we feel that it is reaching children that we are most concerned about, and so there was an increase of $61 million for the local education agency program. A total increase of $158 million was asked for in the overall compensatory education budget, but it was made in relationship to the deficit and other program reductions in the Department.

Mr. **Brown**. Let me see if I understand your question.

CHAPTER 1 NEEDS

Mr. **Hoyer**. You know what our job is? I understand what your job is. Our job is to decide, are we spending money correctly and in the proper places, and whether we need more money. The President makes recommendations, but it is the Congress that makes that judgment, ultimately.

I want to know what the need is.

Ms. **LeTendre**. We talked about the number of eligible children.

Mr. **Hoyer**. I understand what you are saying, but I am trying to find out what the need is, and then we have to apply budget constraints, judgments, priorities and a lot of objectives.

What is the need?

Ms. **LeTendre**. We expressed the range of possible eligible children based on an estimate. This estimate, depending on the number of low-income children living in identified areas, and also the relativity of their assessed educational needs.

It ranges anywhere from 6 to 7.1 million children being eligible for the services. This past year, we served 4.8 million. We project that the number will rise to approximately 5 million.

Mr. **Hoyer**. How much would it cost to serve the 6.7 million children that are out there that are identified by you?

Ms. **LeTendre**. That is difficult to answer since that decision is made at the local school district level. The average cost during this past year was $563 per student, but that is based on what locals determine to be the type of program they want.

It can vary from $390 in one State to over $1,000 in another, so I can't exactly answer your question in terms of absolute dollars.

OMB REQUEST

Mr. **Hoyer**. Mr. Brown, perhaps you have the answer to my question. I understand what she is saying, that it was done cooperatively, so there may not have been a figure going from the Director to the Assistant Secretary and then to the Secretary.

What was the figure going from the Assistant Secretary, at the lowest level, for compensatory education which is in the budget for 3.68?

Mr. **Brown**. Our request, I am assuming you are talking about the request to OMB?

Mr. **Hoyer**. We went through those whole drill with NIH, and they come right from the Director of the Institute, and then they go to the Director of NIH, and then they go to the Health and Human Services' Secretariat, their Budget Department, OMB, so that gave me four levels on which to make a judgment, my theory being the Director of the Institute asked for as much as they felt they could justify, and they expected to get cut from that.

Mr. **Brown**. Dr. Davenport requested approximately, my recollection is, 3.8 million, I believe it was, something like that, for the program. That was in line with our projections from last year, which assumed an inflationary adjustment.

Mr. **Hoyer**. Current services, 3.8 million?

Mr. **Brown**. Current services for the LEA grants. It assumed that prior to Gramm-Rudman, which is a reality, that request, if I remember correctly, was made to OMB, and we negotiated with OMB to a lower level.

I mean, that is a fact. If that is what you want to know.

Mr. **Hoyer**. That is what I want to know.

Mr. **Brown**. Again, last year, I want to emphasize so it is clear, last year's numbers, the numbers upon which the original request was based, assumed inflationary adjustment, and they assumed it before Gramm-Rudman.

Mr. **Davenport**. Congressman, if I could add, again it is not a dollar-for-dollar. If you increase the funding for Chapter 1 programs, it does not necessarily mean that you are going to serve any more children, so when you ask those kinds of cost figures, because again, those decisions, how they are going to design and operate that program are made at the local LEA level, so they may operate for a different program that costs us more and does not increase the number of students served.

Mr. **Hoyer**. Thank you, Mr. Secretary. I understand your answer. It might be helpful if you could provide us with the information for the record as to how the $260,000 misjudgment was made in your press release, because somebody somewhere had a theory as to how you count.

Thank you very much, Mr. Chairman.

CHAPTER 1 EVALUATION

Mr. **Natcher**. Mr. Porter?

Mr. **Porter**. Thank you, Mr. Chairman.

Mr. Secretary, I looked through your written testimony briefly, and I wasn't here earlier to hear your oral testimony, but I could not find anywhere in your written testimony any kind of evaluation as to the success of the money that has been spent. Yesterday, the chairman of the Civil Rights Commission said we ought to get rid of all minority set-asides, because the program wasn't working.

Is the program working for disadvantaged children in America, and if so, how well is it working, and what have you done to evaluate the programs that you administer?

Mr. **Davenport**. Well, I think it has been shown that Chapter 1 has had modest success in improving the basic skills of students participating in the program.

The Sustaining Effects Study, in 1982, showed that Title I students gained more than similar students who did not receive Title I services, in both reading and mathematics.

Although significant, those gains were not great enough for the Title I participants to "catch up" with non-disadvantaged, non-Title I students. Over time, Title I had some sustained benefits for program participants, particularly in reading, but students receiving remedial mathematics instruction often regressed when Title I support was removed.

The ongoing mandated study of Chapter 1 is examining the program's effect on student achievement. The Department expects to have preliminary findings from this study later in 1986 that will update information from the Sustaining Effects Study.

More recent State data from the 1983–1984 Chapter 1 Evaluation and Reporting System also indicate that Chapter 1 has a positive impact on raising academic achievement.

Achievement results of Chapter 1 students show modest gains in all grades for reading and mathematics. However, these gains tend to be greater for students in the elementary grades than for those in junior or senior high. The achievement gains measured in the 1983–1984 school year are consistent with those observed in 1979–1980 through 1982–1983.

CHAPTER 1'S EMPHASIS ON YOUNGER STUDENTS

Mr. **Porter**. If I understood what you just said, would the money be better spent if it was directed more heavily at the younger ages?

Mr. **Davenport**. Yes, sir.

Ms. **LeTendre**. Obviously, what is reported shows there are greater gains at that level. However, the statute, as it is currently written, allows those decisions to be made at a local level based on an assessment of educational needs, so we present this data to the States, and allow them to make the decision.

FOLLOW THROUGH PROGRAM

Mr. **Porter**. Is Head Start under you?

Ms. **LeTendre**. No, under HHS.

Mr. **Porter**. Follow Through?

Ms. LeTendre. Follow Through is under us.

Mr. Porter. Where are we with it? What is happening with it?

Ms. LeTendre. It will be in its last year of its authorization during this next year, and they will be receiving their final grant in July and that is the extent of the authorization of the Follow Through program.

Mr. Porter. Is that it, because it is not successful, not needed? It is a pilot, a 15-year pilot.

Mr. Davenport. It has been a lot longer than that. Most of the programs have been funded for a substantial period of time, going to a select number of school districts, and it is our belief that this pilot has existed long enough, and should have demonstrated its capabilities, and if it is successful, that school districts across the country will adopt those principles, and the Follow Through dollars, that set-aside is for sponsors and for local LEAs, and resource centers are no longer needed, that they can participate in the Department's technical assistance centers, and they can apply to be exemplary programs underneath that, and if they are certified, they would also get funds to help publicize those susceptible Follow Through techniques, teaching strategies which have been developed.

It is, I think, we have demonstrated, and now I think we are ready to move on to other priorities.

DISSEMINATION OF INFORMATION ON SUCCESSFUL FOLLOW THROUGH PROJECTS

Mr. Porter. Have you really done anything to take the good parts of this program and apply them? In my District, in Waukegan, Illinois, the program has worked very, very well.

Mr. Davenport. Many have been recognized underneath the JDRP system, and used for technical assistance centers, and we are publicizing them, some school districts have adopted those Follow Through techniques, and we are publishing a source book this year of successful, hopefully this year, successful things developed by Follow Through.

Mr. Porter. Is it in addition to Chapter 1?

Mr. Davenport. Yes.

Mr. Porter. If they lose that money, they would not get any more money than they would otherwise under Title I?

Mr. Davenport. That is correct.

Mr. Porter. They will be put to some great disadvantage compared to where they have been?

Mr. Brown. They have had fair warning.

CONTINUATION OF FOLLOW THROUGH ACTIVITIES AFTER WITHDRAWAL OF FEDERAL SUPPORT

Mr. Porter. Oh, I know that. I wonder about, there is also a great need, that most of the school districts I know are not wealthy districts in any way, shape or form, and they need the funding.

Mr. Davenport. Again, there is a need for just like you do here in the Congress, for a local school district to design their budget to reflect their priorities.

These are add-on follows, which the Follow Through strategies can continue without the specific program being funded at the local level by the Federal Government.

Again, if you have been in existence some 15, 19 years in a local school district and been that successful in the local school district, it is hard to imagine that school district does not pick up those successful activities in carrying them on, so on the other hand, I have been very successful for 19 years, but it will cost my local school district $30,000, and they will not pick it up, that rates as other questions that need to be resolved at the local level.

If you have been successful, I do not know school superintendents who would not try to find a way to keep those school districts going, and I am talking about the strategies which have been developed which can go across first grade, second grade, through any educational system.

Too many times, we are talking about the personnel, directors, some of those people who are being funded by the Federal Government which will not be in existence.

NATIONAL DIFFUSION NETWORK

Mr. **Porter**. Would the National Diffusion Network be used to disseminate the good techniques?

Mr. **Davenport**. That is what I meant when I said technical assistance. They are part of that Diffusion Network, but they receive no funding from it. They would compete for possible funding from the National Diffusion Network, which those which are selected are given additional funds to publicize their efforts.

STUDIES OF CHAPTER 1 STATE AGENCY PROGRAMS

Mr. **Porter**. You mentioned in your testimony about the evaluation data for migrant, handicapped, neglected, delinquent programs. All either are old or nonexistent, and you will undertake some studies to determine their effectiveness.

The money for those studies are in your budget request, is that correct?

Ms. **LeTendre**. Yes, 2.3 million from the over $6 million is set aside from the Evaluation and Technical Assistance Centers.

Mr. **Porter**. Is this the first time you asked for this?

Ms. **LeTendre**. There is a preliminary neglected or delinquent study now going on. The last study of that program was conducted in 1977, but that data is very old.

Mr. **Brown**. It is the first time that we explicitly requested funds out of the Chapter 1 for large evaluation study of Chapter 1, other than the one that was mandated by Congress.

Most of the funds in the evaluation portion of this program have been consumed both by the Technical Assistance Centers, and by the National Institute of Education's Chapter 1 evaluation study.

Mr. **Porter**. So, you——

Mr. **Brown**. This will be the first time that we will be able to use these funds to muster a very large national scale study of those three State programs, a long overdue effort, I think.

Mr. **Porter**. Thank you very much.

Thank you, Mr. Chairman.

Mr. **Natcher**. Mr. Early?

ASSESSMENT OF LOCAL CHAPTER 1 NEEDS

Mr. **Early**. Mr. Secretary, I understand that under Chapter 1, districts do assessments of their local needs and determine which grade levels to serve and what types of programs to provide.

To what extent have there been changes in the needs of the LEAs?

Ms. **LeTendre**. For the most part, there have not been changes in the past decade to any degree. The programs that are provided at the local level focus on reading and math, the basic skills areas. About 75 percent of the Chapter 1 participants receive reading instruction about 46 percent receive instruction in math.

However, there are other services provided by Chapter 1. About 15 percent of the children receive health and nutrition services and about 17 percent receive counseling services. Another 12 percent receive limited English, instruction. These services have been consistent over the past decade and the emphasis has been on the basic skills. Also the LEA's have placed emphasis on providing services at elementary grades rather than at high school, and middle school grades.

Mr. **Early**. Last year, you indicated that the Department was in the process of conducting a mandated Chapter 1 study with a report due on July 1, and the final report due in 1987. Have we had any interim reading on that?

Ms. **LeTendre**. There is an interim report that should be on its way to Congress very shortly, on the nature and extent of the students' need for compensatory education, which reviewed evidence regarding the relationship of poverty and achievement, language, and handicapping conditions. An oral briefing on this report was given to some Hill staffers in January, and an interim written report will be forwarded soon.

EFFECT OF CHAPTER 1 ON STUDENT READING AND MATHEMATICS ACHIEVEMENT

Mr. **Early**. You just noted in response to Mr. Porter's question that Title I children receive benefits in reading, but students receiving remedial math instruction often regress when Title I support is removed.

Mr. **Davenport**. We don't know. That is part of what we hope to find out in this study, those methods which are successful and those which are not.

Mr. **Early**. To what extent do Chapter 1 reading and math programs have a positive impact on academic achievements in other areas?

Ms. **LeTendre**. The States have not reported that on a yearly basis to us. We know in many cases, it does have an impact, and again, the mandated study will be looking at the current operation of the program, and some prospect for improvement, and that is one of the areas that they will be looking at in districts that maintain longitudinal data.

There are a number of districts that are being reviewed that have data over a number of years. It is not required by the program office to maintain that data, so there have been some districts highlighted that we will be able to receive it from and draw some conclusions, and hope to share that with you next January.

Mr. DAVENPORT. Under the Secretary's initiative, we have been recognizing outstanding Chapter 1 programs across the country, and have published a source book of these successful projects.

And we are having successful projects, holding regional conferences across the country, where they can tell other practitioners about how their programs achieved those successes.

We are hoping to upgrade the caliber and kinds of Chapter 1 programs that are offered across the country.

MANDATED PROGRAMS UNDER CHAPTER 2

Mr. EARLY. I hope you will let the committee know what programs have been identified as good or outstanding, as quickly as possible.

On page 4 of your statement, I have problems. You say appropriations will remain at the 1986 levels, however, the Department continues to support legislation submitted in 1985 which would eliminate the minimum funding for the mandated programs.

I think that if we have a program that has been identified as progressive, we should keep the minimum standards. I don't mind giving you more autonomy, and I believe, no matter what party is in power, the Secretary should have autonomy. However, I don't want to take a progressive program and remove the minimum standards.

Mr. BROWN. We are doing what you are saying. We are trying to give the flexibility to the Secretary. That is in Chapter 2.

FUNDING FOR MANDATED PROGRAMS

Mr. EARLY. I want to give the Secretary flexibility, but at the same time you shouldn't take away the money or minimum requirements that have been mandated. The Secretary is going to have more money in his particular pot, but 10 times as much responsibility.

That is not flexibility in my judgment.

Mr. BROWN. Yesterday the Secretary was asked by Mr. Dwyer, I believe, what he was doing about alcohol and drug abuse problems. That happens to be one of the mandated programs.

We have no flexibility to increase efforts in that area unless we take money from the paltry sum that is left after we have funded the National Diffusion Network, the four mandated programs themselves, and any other ad hoc kinds of problems that may arise that are in need of funds.

Mr. EARLY. That is only true if the committee doesn't recognize that, and says that the programs are underfunded.

I don't want to remove the money from one pot to put it into another. I want to add more money, if the minimum amount of money in those programs is serving a purpose.

You say the Department continues to support legislation that would eliminate the minimum funding levels for mandated programs, thereby giving the Secretary greater flexibility over the use of discretionary resources.

If you give the Secretary more discretionary power, you leave the money in for the mandated minimum funding levels, if they are progressive programs, and then you add to the Secretary's funds.

Mr. **Brown**. There would be a hue and cry if we increased that percentage in Chapter 2 from 6 percent to 10 percent. I think that the Congress would scream, and justifiably so.

Mr. **Early**. What are you saying?

Mr. **Brown**. The only way to increase the amount of funds available for discretionary activities without removing the required amounts that are specified in the statute or actually in the appropriation bill is to add money to the discretionary fund.

The way to do that would be to increase the percentage available for all discretionary activities from 6 percent to a larger percentage, and I don't think that you would want to see us do that.

I may be wrong.

Mr. **Early**. I want to fund that, and give you additional money to do the other things.

NUMBER OF CHILDREN ELIGIBLE FOR CHAPTER 1 SERVICES

Going back to Chapter 1, what is the current estimate of the number of children eligible for Chapter 1 services?

Mr. **Davenport**. Between 6 and 7.1 million students.

Mr. **Early**. According to a recent analysis by the Congressional Research Service, only 31 percent of the eligible students receive services under Chapter 1. Do you agree or disagree with that?

Mr. **Davenport**. I disagree.

Mr. **Early**. What would your estimates be?

Mr. **Davenport**. Somewhere between 61 and 81 percent, and using what I consider our best estimate, about 80 percent of those eligible students are served.

All too often, people make the mistake, Congressman, of assuming that every student who is low-income is also in need of Chapter 1 assistance, and for the life of me, I can't figure that out.

There are students who may be from low-income backgrounds who succeed very well without any assistance and so you have to delete them from any projection of the numbers.

And earlier, in light of an earlier question, I responded to this, in light of the numbers, and if I can, I will go back: 1983–1984 school year, almost 8 million children from low-income families were counted for allocation purposes. 75 percent, or 6 million of these children were educationally disadvantaged. Therefore, they are eligible to participate in the program.

Children below grade level. A significant number of children are educationally disadvantaged but are not poor. About 10.2 million, or 23 percent, of the students enrolled in elementary and secondary schools are educationally disadvantaged; one or more years below grade level.

Many, but not all, are from low-income families. Assuming that 70 percent of these children live in low-income areas that receive Chapter 1 assistance, then the number of eligible children would be around 7.1 million.

Remember that the program is designed to serve children who are educationally disadvantaged and who reside in low-income areas. School districts ultimately determine who is educationally disadvantaged.

And when others start looking at the data, they forget the student has to reside in low-income families, and they assume that they also need Chapter 1 services.

Mr. **Early**. For the record, provide a little more specific numbers. The study said 31 percent. Don't give me an estimate of 61–81 percent. If you think it is 61–81 percent, say 70 percent.

Mr. **Brown**. Mr. Early, Mr. Hoyer before you indicated he had a percentage of 40 percent.

Mr. **Early**. I was here, I heard his questioning.

Mr. **Brown**. From another study. We could probably come up with 80.

Mr. **Early**. I want you to come up with one number.

Mr. **Brown**. This is the heart of the problem. That is, getting a good number for the total eligible population, and nobody that I know of has ever had such a number. They have used 8 million children or 8.3 million children, whatever it is, that happens to be the total number of poor kids.

Mr. **Early**. It is estimates. Don't give me 61 to 81 percent.

Mr. **Davenport**. Our most realistic data indicate that 80 percent of the students are being served. I give those ranges just for your own analysis, but we believe that 80 percent are being served.

Mr. **Brown**. This is something that will be addressed in the Chapter 1 study, and I believe it is addressed in the interim report that will be released shortly.

AUTHORIZED ENTITLEMENT FOR CHAPTER 1

Mr. **Early**. What is the authorized entitlement for Chapter 1 children?

Mr. **Brown**. The legislative authorization is indefinite..

Mr. **Early**. Make it as precise as you can for the record.

Mr. **Brown**. It is indefinite. There is no amount. It is whatever you appropriate.

Ms. **LeTendre**. Whatever Congress appropriates.

Mr. **Early**. Isn't it related to a formula?

Mr. **Brown**. That is why it is indefinite. The formula is essentially an entitlement type formula.

Mr. **Early**. I am asking for the authorization. There should be an authorized amount.

Ms. **LeTendre**. They don't have an outside limit on the dollars that could be appropriated. It is set each year.

Mr. **Davenport**. The last time it was funded at the authorization level was about 1980 or 1981.

Mr. **Early**. On page 27, it says, "once the authorized entitlements are calculated, the allocation to each State is reduced to the extent that the amount appropriated is less than the full entitlement."

What is the full entitlement?

Mr. **Brown**. That is another question. That we can calculate for you.

Mr. **Early**. That is what I am trying to get.

Mr. **Brown**. We will have to calculate what the full entitlement would be.

Mr. **Early**. That is an easy question, I think.

Mr. **Brown**. It is not the authorization, sir, that is all.

[The information follows:]

Full Entitlement for Chapter 1 LEA Grants

The full entitlement level for Chapter 1 Grants to Local Educational Agencies used for calculating State and county allocations for the 1985–86 school year was $9,221,423,469.

Mr. **Natcher**. Mr. Conte, I yield to you.

MIAMI NEWS ARTICLES ON CHAPTER 1

Mr. **Conte**. Thank you, Mr. Chairman.

I don't know if you saw it, but there was quite a series on the national Chapter 1 program in the Miami News in December and January. Its lead story was that $474 million was unspent in the 1983–1984 school year, and that 26 States carried over more than the 15 percent allowed by law.

New York, for example, the story said, failed to spend $103 million, or 37 percent. Massachusetts was the only State to make full use of all of its money.

Is this a problem, Dr. Davenport? Why is money not being spent that we appropriate, apparently in excessive amounts? And doesn't that explain at least in part why more children aren't being reached by this program?

Mr. **Davenport**. No, sir. When this story was published, the Under Secretary assigned for me to head a task force to study all the information in that article. By the Tydings Amendment, school districts have 20-some-odd months to spend the funds appropriated so the carryover amount is there, but it is less than that, there is no 15 percent limit by law that has been set.

The misunderstanding is that in the law, it says that no districts will receive less than 85 percent of last year's funding. There is not in that sense an issue that the districts have violated the law, or that they have, overall, a substantial sum more than necessary for carryover.

There are two different issues. One is drawdown and one is carryover, and the article sort of meshed those two together and used them as one budget item.

Mr. **Conte**. How come you in your annual report to the Congress, you indicated that there was an unspent amount of 174 million, and this story here said there was 474 million?

Mr. **Davenport**. They use the drawdown amount, plus the carryover amount, and they are two different figures.

Mr. **Conte**. You get your people a little more on the record on that.

Mr. **Davenport**. Yes, sir.

Mr. **Conte**. It sounds very disturbing.

Let me keep going for just a minute. The article indicates that at least four States banked their Chapter 1 money and collected the income: New York, California, Florida and Connecticut.

California, it said, earned $23 million in interest. And apparently, there has been difficulty in bringing these practices to a halt.

Mr. DAVENPORT. That is permitted under the law. Under the law, there is a task force working between Treasury and other Departments and OMB to work with the States to resolve this issue.

When the task force findings are implemented, we will have a better handle on that. I want to make sure that we understand that that is permissible under the law at present.

MONITORING CHAPTER 1 PROGRAMS

Mr. CONTE. There are States in the black that have a surplus; New York, California, and others. They are banking Federal money while we have got programs here in health and education, like Pell Grants, that are all being cut like crazy.

In terms of inspections, the article states that in the past two years, only four of the Nation's 10 largest Chapter 1 programs had been inspected, with violations found in all four. What does all this say about your oversight of the program?

Mr. DAVENPORT. Again, all the findings of the amounts that have been found have been found by program reviews or IG reviews by the Department, and in those cases where States have been found in error, they have been required to correct and return money back to the Federal Government.

Mr. CONTE. Why only four?

Mr. DAVENPORT. You do audit priorities, how many States you are going to look at. That is a question you have to ask the IG. We think at this point, we have had oversight in enough States, and have been out there in our program reviews to also point out to the States where they need to make those corrections, and we have issued so in our final determination letters, to get funds returned to the Federal Government.

So we think that the process is working, and that the amount that is reported in that report, they are figures we found in our own participation out there.

Mr. CONTE. Earlier you mentioned the task force. Have they made a report?

Mr. DAVENPORT. They have made a report to the Under Secretary.

Mr. CONTE. Could we have that task force report for the record?

Mr. DAVENPORT. We will provide it when it is in its final form.

CHAPTER 1 PROGRAM REVIEWS BY THE INSPECTOR GENERAL

Ms. LETENDRE. During the past fiscal year, we visited 27 States, and in every State, we visited two local education agencies, so that number four which was referenced, was the Inspector General, not the program office reviewing what is going on.

Mr. CONTE. I didn't catch that.

Ms. LETENDRE. That was the IG Office that does its independent audits.

Mr. CONTE. I realize that. You could visit all 50 States. But what difference does it make if you don't have the ability to study the books and to analyze them?

Mr. DAVENPORT. We pick up items referred by the IG.

When we find funding that needs to come back, we have requested States to make changes in their program, or expand their program activities or return money.

We don't wait just for the IG to issue a report when we find things when we go through.

INTEREST EARNED ON FEDERAL FUNDS

Mr. **Staehle**. I don't think the Department at this time has the authority to demand the return of interest earned on Federal funds.

Mr. **Conte**. That is something you ought to look into, though. If that is $23 million in interest in one State, you could pick up a couple hundred million dollars across all the States and put that toward the Pell Grant Program.

Mr. **Staehle**. Congress came to the rescue of one State and prevented us from doing that. Prior to that, we were demanding the return of interest earned on annual funds.

Mr. **Davenport**. If you bring that to the attention of your colleagues.

Mr. **Conte**. Do you need legislation?

Mr. **Davenport**. We are not requesting. I would leave that until the task force, Treasury, OMB issue that report, and that would tell us what our needs are.

Mr. **Conte**. Okay.

1984-85 CARRY OVER

That story dealt with the 1983-1984 school year. Bring us up to date on the 1984-1985 school year. What is the carryover there? And why isn't the limit on carryover being enforced?

Ms. **LeTendre**. We don't have final data on the 1984-85 carryover available to us yet. We will supply it. Remember, that neither the Chapter 1 statute nor the regulations limit the amount of funds that can be carried over from one year to the next.

Mr. **Davenport**. Chapter 1——

[The information follows:]

UNSPENT CHAPTER 1 FUNDS FROM THE 1984-85 SCHOOL YEAR

[Dollar amounts in millions]

Reporting date	Allocation	Expenditure	Percent expended	Amount unexpended	Percent unexpended
Sept. 30, 1984	$2,965	$156	5	$2,809	95
Dec. 30, 1984	2,965	665	22	2,300	78
Mar. 31, 1985	2,965	1,315	44	1,650	56
June 30, 1985	2,965	2,086	70	879	30
Sept. 30, 1985	2,965	2,464	83	501	17

Mr. **Conte**. We are in 1986, aren't we?

Ms. **LeTendre**. EAs and LEAs have the opportunity to carry funds over for 12 months.

Mr. **Davenport**. Consistent with the Tydings Amendment. They are allowed some 26, 27 months to spend the funds appropriated, so the final figures come in substantially later than that.

The news article says it was talking about Chapter 1, but those are findings of Title I.

DIFFERENCE BETWEEN CARRYOVER AND DRAWDOWN

Mr. **Staehle**. One thing I would like to emphasize, carryover, drawdown, they are not the same. Carryover is not money in the bank. Carryover is nothing more than the carrying over of the authority to draw down, or the authority to obligate.

You could have considerable carryover, and not be excessively drawn down, or you could be excessively drawn down and not have much carryover.

The article completely confused the issue. Carryover is not money in the bank.

Mr. **Conte**. But there was money in the bank?

Mr. **Staehle**. It is not money in the bank.

Mr. **Conte**. In the California situation, is the article wrong that they put money in the bank?

Mr. **Staehle**. That is drawdown, not carryover.

Mr. **Conte**. You are comparing apples and oranges.

Mr. **Staehle**. They are not the same.

Mr. **Conte**. But the end result is the same.

Mr. **Staehle**. No.

Mr. **Conte**. If they didn't have the Federal money, they couldn't put it in the bank, right, and collect interest?

Mr. **Staehle**. Right.

Mr. **Conte**. Okay, that is all I am saying. They collected $23 million in interest off Federal money. Is that a fair statement?

Mr. **Staehle**. Okay. That is true. That is not a carryover problem.

Mr. **Davenport**. We understand you, Congressman.

Mr. **Conte**. You know the point?

Mr. **Davenport**. Yes, sir.

IMPACT OF FELTON DECISION ON CHAPTER 1

Mr. **Conte**. One of the other problem areas in Chapter 1, comes as a result of the Felton decision. Are all the schools, including private schools, that were receiving Chapter 1 aid prior to the Supreme Court Decision still receiving Chapter 1 funds, or have the disruptions been severe enough that some schools have lost out on their programs?

Ms. **LeTendre**. All school districts are receiving Chapter 1 funds. However, we estimate that close to 30 percent of the children who were previously served in private schools are not participating in receiving Chapter 1 services during this current year.

Mr. **Conte**. What kinds of changes have been required in private school Chapter 1 programs as a result of that Supreme Court Decision?

Ms. **LeTendre**. Services can no longer be provided in the school building, and therefore, the children who were previously instructed in the private school by a public school instructor must receive services at a neutral site, at a facility perhaps owned or rented by the public school. There are cases where services are being provided in mobile vans, apartments, hotels, and motels.

The children are obviously losing time, more time from the regular classroom because of having to be transported from one location to another.

Mr. CONTE. I am over my time. Thank you, Mr. Chairman.

ADMINISTRATIVE GUIDELINES DEVELOPED BY STATES

Mr. NATCHER. Now, Doctor, you state in your justifications, that most States have developed comprehensive guidelines for use by local school districts in administering Chapter 1.

Have you collected and analyzed these guidelines, and if so, provide for the record, if you will please, copies of these guidelines and your analysis.

Ms. LETENDRE. We will be pleased to do that. Some are sent to us for analysis by the State however, because of their length we would like to submit several examples, rather than all of them.

[The information was supplied to the committee.]

Mr. NATCHER. Also supply the committee with a copy of the latest Federal rules and guidelines for administering Chapter 1 programs. We would like to have this just for the committee files.

[The information was supplied to the committee.]

CHAPTER 1 VOUCHER PROPOSAL

Mr. NATCHER. What is the current status of legislation concerning Chapter 1 voucher proposal?

Ms. LETENDRE. The bill was introduced in November, 1985, and there has been one hearing which was conducted by Congressman Hawkins. The bill has 35 Congressional cosponsors and 10 Senate sponsors. That is the extent of the activity here at this point.

Mr. NATCHER. Would the voucher proposal cause a drastic change in the basic concept of Chapter 1, which is to provide supplemental services to educationally disadvantaged children?

Ms. LETENDRE. There are a number of options available to parents who would elect to use the voucher to provide compensatory services to their children. One of those options would allow that the students to attend a school of their parent's choice and the chapter 1 funds used for that child could be used for tuition.

Other options allow for compensatory services. There is no way of knowing in advance which will prevail. However, we anticipate that many of the parents would have their children remain in the Chapter 1 programs as they currently exist, and some may elect to enroll their children in private school using chapter 1 funds particularly in the light of the recent Felton decision.

From my communication with the superintendents of the large Catholic Archdioceses, they are most interested in continuing existing compensatory services rather than having a voucher used for tuition. So we would not expect to see significant changes occur.

Mr. NATCHER. In effect, would voucher payments amount to Federal subsidies for general operating expenses for local school systems?

Ms. LETENDRE. One of the options would be to allow the voucher funds to be used to pay the costs of part or all of the tuition. That is for the entire instructional program of that student, and whatever is provided within that school.

ADMINISTRATIVE COST OF THE VOUCHER PROPOSAL

Mr. **Natcher**. What is your estimate of the administrative costs involved with establishing and maintaining a voucher system?

Ms. **LeTendre**. We have not done any type of percentage estimate. We know that administering Felton, which is requiring additional off-premises services to increase 16 percent, and this is nowhere near that.

Currently, both school districts have to maintain records, hire staff, and they spend approximately 5 percent on administrative costs. I would not expect that it would increase that significantly.

EFFECT OF VOUCHER PROPOSAL ON PUPIL TRANSPORTATION

Mr. **Natcher**. If a voucher system is approved, would it have any effect on pupil transportation?

Ms. **LeTendre**. Only to the extent that pupil transportation is provided for public school children in the Chapter 1 program. We would allow for equitable expenditures, so if public school children are now being transported for Chapter 1, then the private school children should also be transferred.

OTHER LEGISLATIVE PROPOSALS AFFECTING CHAPTER 1

Mr. **Natcher**. In addition to the voucher proposal, do you have any other proposals concerning changes in Chapter 1?

Ms. **LeTendre**. There are changes that have been submitted both in our budget justification and in a separate legislative proposal to update the formula to allow for the consistent use of the most current data to allocate chapter 1 funds, and there is also a change which has been submitted that affects the migrant program.

DECLINE IN THE NUMBER ELIGIBLE MIGRANT CHILDREN

Mr. **Natcher**. Under migrant children, in your justifications, you state that the total number of students aged 5 to 17 counted as eligibles in the migrant State agency program has declined about 9 percent since 1983.

What accounts for this reduction?

Mr. **Staehle**. It is basically the result of changes in the nature of agricultural labor. That is a major. We pick up on that as soon as it occurs.

I don't know that there is any particular governmental policy or anything at work here. It is just the nature of the industry.

Mr. **Brown**. That is an issue that we will be examining in connection with the study of the migrant program that we are requesting funds for this year.

MIGRANT EDUCATION LEGISLATIVE PROPOSAL

Mr. **Natcher**. I believe you are again proposing that formerly migrant students not be eligible to participate in the program after three years?

Mr. **Davenport**. Yes, sir.

Mr. **Natcher**. If this change is approved, how would it affect State allocations?

Mr. **Staehle**. It would substantially change some of the State allocations, and this is the primary reason why we think that the number of years in which a child can be considered as migratory should be changed from five to three.

The way matters stand now, 62 percent of the full-time equivalent number of children counted for payment are generated by formerly migratory children, and only 38 percent of currently migratory children.

Each State receives funds on the basis of the full-time equivalent number of children in the State. Every formerly counts one, and every currently migratory child may count to nine-tenths, but rarely one, but this is a program that has as part of its legislation a provision that currently migratory children be given priority.

When you have some States running up to 90 percent formerly migratory children and they are counted, that does not seem to be consistent with the statutory provision that currently migratory children be given priority.

Mr. **Davenport**. We are asking to direct this program towards the students with the need. Many of these students have not moved in any recent number of years, and some are presently receiving Chapter 1 services, and some others would now be eligible for those services, and we have put additional dollars into Chapter 1, which we believe would be better deployment of our resources.

And I think that, I am hoping that the Congress will this year recognize that we need to direct these funds towards those students either in the migratory stream now, who need assistance, because the relationship to the number of students counted and the number of students served are two different figures.

And we need to be increasing the number served and not just those being counted, compared to dollars. Those students in greatest need are those who recently left the stream, and it is very hard for anyone to say after five years out of the stream, that you are in any sense migratory.

And if we had serviced you more in the first, while you are fresh out of the stream, because this is not a pool of resources that keeps growing, it is a pool, and any dollar you spend over here is a dollar you don't have to assist students who really need it.

CHAPTER 1 STATE ALLOCATIONS

Mr. **Brown**. Mr. Chairman, if you look at the distribution of funds in the back of the justification, for all intents and purposes, the differences that occur between 1986 and 1987 reflect the changes and shifts that would occur as a result of the migrant reform that we are proposing.

Since 84,000 out of about, I think it is 135 total in the end would be phased out in that first year.

NEGLECTED AND DELINQUENT STUDY

Mr. **Natcher**. We understand that you have contracted for a study of Chapter 1 State agency programs for the neglected and delinquent. What is the current status of this project?

Mr. **Brown**. We have a pilot project currently under way. The results of that study, which is a series of case studies, is expected to be available within the next three months.

SERVICES PROVIDED BY NEGLECTED AND DELINQUENT PROGRAM

Mr. **Natcher**. What services are being purchased with Chapter 1 neglected and delinquent grants?

Ms. **LeTendre**. Again, most of the services are in the basic skills area with about 67 percent of the students receive services in the area of reading.

Mr. **Natcher**. How do the services received by Chapter 1 participants differ from those received by other youth in these institutions?

Ms. **LeTendre**. They would be supplemental, receiving additional assistance in the area of the basic skills, in addition to their regular program provided to the other students.

PROPORTION OF ELIGIBLE POPULATION RECEIVING SERVICES

Mr. **Natcher**. According to a 1977 study of Chapter 1 Neglected and Delinquent Program, only 52 percent of those eligible were served. Have you any recent data on the proportion of eligible youth served under this program?

Ms. **LeTendre**. We don't know currently, but we will be examining that.

Mr. **Natcher**. The findings of past studies on the Neglected and Delinquent grant program appear to show that this program has not been very effective. Has your office been able to identify any specific problems in this program that need to be corrected?

Ms. **LeTendre**. Part of the problem is the difficulty in obtaining evaluation results. I believe our Technical Assistance Centers have some instruments that are being used to assist in that regard.

Mr. **Natcher**. Are you considering any legislative changes in the Neglected and Delinquent Program, legislative changes?

Mr. **Brown**. No, sir, not at this time.

Mr. **Natcher**. Thank you very much.

[The following questions were submitted to be answered for the record:]

HIGH SCHOOL EQUIVALENCY AND COLLEGE ASSISTANCE MIGRANT PROGRAMS

Mr. Roybal: The High School Equivalency program (HEP) and the College Assistance Migrant program (CAMP) are designed to address the special needs of migrant and seasonal farmworkers. If these programs are merged with the TRIO programs, do you believe that migrant and seasonal farmworkers will continue to receive services equal to those currently offered under HEP and CAMP?

Mr. Davenport: Under the higher education consolidation proposal HEP and CAMP would be merged with other programs that provide similar services focused on disadvantaged students. We believe that migrant and seasonal farmworkers will have the same opportunities under this consolidation proposal as before, but that the services they receive will cost much less per student.

CHAPTER 1 MIGRANT PROGRAM

Mr. Roybal: The Administration proposes reducing the length of time a child can be considered formerly migrant under the Chapter 1 Migrant Education program from five years to two years. Won't this proposal simply shift children formerly eligible under the Migrant Education program to the Chapter 1 Local Educational Agencies Grant program? What benefits do you believe will arise from this proposal?

Mr. Davenport: Those formerly migratory students who are no longer eligible for the program because of the reform but are educationally disadvantaged can and should be served under the Chapter 1 LEA Grant program. The proposed change in the Migrant Education program would enable the Department to focus funds more appropriately on those students whose education has been most recently affected by their migrancy. The savings associated with this proposal would be used to provide additional funds for the Chapter 1 LEA Grant program.

CHAPTER 1 PRESCHOOL AND KINDERGARTEN PROGRAMS

Mr. Early: I was interested to see in the justifications that seven percent of Chapter 1 students are in kindergarten or preschool programs. Can you give us some idea of the types of programs available for these children?

Mr. Davenport: Kindergarten and preschool Chapter 1 programs prepare young children for the basic skills of reading and mathematics through the development of their motor skills and language ability.

Mr. Early: Can you give us some idea of the number of LEAs that provide Chapter 1 services for these children?

Mr. Davenport: The District Practices Study completed in 1983 found that in school year 1981-82, four percent of Title I (now Chapter 1) districts provided pre-K programs and 22 percent provided kindergarten services. Since some districts would have provided both pre-K and kindergarten programs, the percentages should not be added together. The Chapter 1 annual State

Performance Report only provides us with State level data, and thus we cannot provide a more current answer to this question.

STUDENT ACHIEVEMENT GAINS UNDER CHAPTER 1

Mr. Early: Do we have any data or studies on the gains or benefits achieved?

Mr. Davenport: Data show that Chapter 1 has had modest success in improving the basic skills of students participating in the program. The Sustaining Effects Study (1982) showed that Title I students gained more than similar students who did not receive Title I services, in both reading and mathematics. Although significant, those gains were not great enough for the Title I participants to "catch up" with non-disadvantaged, non-Title I students. Over time, Title I had some sustained benefits for program participants, particularly in reading, but students receiving remedial mathematics instruction often regressed when Title I support was removed.

More recent State data from the 1983-84 Chapter 1 Evaluation and Reporting System also indicate that Chapter 1 also has a positive impact on raising academic achievement. Achievement results of Chapter 1 students show modest gains in all grades for reading and mathematics. However, these gains tend to be greater for students in the elementary grades than for those in junior and senior high. The achievement gains measured in the 1983-84 school year are consistent with those observed in 1979-80 through 1982-83.

The ongoing mandated study of Chapter 1 is examining the program's effect on student achievement. The Department expects to have preliminary findings from this study later in 1986 that will update information from the Sustaining Effects Study.

CHAPTER 1 CONTRIBUTIONS TO STUDENT ACHIEVEMENT GAINS

Mr. Early: What specific aspects of the Chapter 1 program contribute to student gains? Are there one or two specific elements that appear to be particularly important?

Mr. Davenport: Researchers have consistently found thirteen attributes present in effective classrooms and schools. Seven of these are organizational attributes: positive school and classroom climate; clear goals and objectives; coordination of the regular school programs with other special programs; parent and community involvement; professional development and training; evaluations used for program improvement; and strong leadership.

Six are instructional attributes: appropriate instructional materials, appropriate methods and approaches; maximum use of academic learning time; high expectations for student learning and behavior; closely monitored student progress; regular feedback and reinforcement; and recognition of improved academic performance.

We believe that all these attributes are important elements in successful Chapter 1 programs. In addition, specific aspects of Chapter 1 programs, such as parent involvement and supplemental instruction, are important to their success.

DECLINE IN CHAPTER 1 SERVICES

Mr. Early: According to a recent report of the Children's Defense Fund, the number of poor, school-attending children has risen by about two million since 1979. Yet, this report indicates that the number receiving Chapter 1 services has declined from 75 out of 100 in 1979 to 52 out of 100 in 1984. Would you agree with these figures? If not, why not?

Mr. Davenport: We would agree that there has been a decline in the total number of children served by Chapter 1 between 1979 and 1983. However, the decline should be placed in context. Specifically, reductions in the number of children served were also due to factors such as the general decline in school enrollment during the early 1980's and local decisions on how to target funds.

CHAPTER 1 HANDICAPPED STUDY

Mr. Early: Last year, you indicated that the Department was funding an evaluation of the Chapter 1 State Agency Program for the Handicapped. What is the status of this evaluation? Do you have any findings that you can report to us?

Mr. Davenport: A small-scale study of the Chapter 1 Handicapped program is in its final stages of completion. We hope to release that study this summer.

Designed as a case study, this evaluation will provide descriptive information on the program and examine factors associated with the variance among States in the proportion of handicapped children served under Chapter 1. We hope to use the results of this study in planning for a large-scale national study that would begin in 1987.

STATE ADMINISTRATION

Mr. Early: Chapter 1 State Administration is one of a handful of programs which the budget request proposes to increase by funding it at the fiscal year 1986 enacted appropriation level. Why do you feel it is important to increase funding for this activity by $1.5 million?

Mr. Davenport: The Department's priority in its 1987 request is to serve educationally disadvantaged children. Within that context we propose to restore Chapter 1 funding to its 1986 enacted appropriation level. The $1.5 million increase requested for State Administration would restore funding for that activity to its 1986 appropriation level and is part of the Department's general 1987 budget strategy. The request would maintain a cap on State administration while providing adequate funding for States to carry out their administrative responsibilities under the program.

CHAPTER 1 EVALUATION AND TECHNICAL ASSISTANCE

Mr. Early: For evaluation and technical assistance, the Department is requesting an increase of $1.226 million over the revised FY86 level and $1 million over the FY86 enacted level. Why is this increase necessary?

Mr. Davenport: The $1 million would enable the Department to begin three separate national studies that will examine the State Agency Migrant, Handicapped, and Neglected and Delinquent programs. Evaluation data for these programs are either old or non-existent. These evaluations would provide descriptive information on program operations and examine their effectiveness. If this funding is provided, we would expect to have preliminary information available in 1988 for both the Department and the Congress to use in developing program and budget policy.

Mr. Early: Will the Technical Assistance Centers receive an increase in funding under this proposal?

Mr. Davenport: The amount set aside for the Technical Assistance Centers in the 1987 request restores them to the 1986 appropriation level of $3.8 million.

PROPOSED CHAPTER 1 ALLOCATION FORMULA CHANGE

Mr. Early: The Department is proposing bill language to allow the allocation of Chapter 1 funds based on the criteria of poverty used in the 1980 Census rather than that of the 1970 Census. Since the authorizing statute permits the Department to use this 1980 Census data in calculating the Chapter 1 formula allocation, if the data are adjusted to reflect the poverty criteria established under the 1970 Census, why are you seeking this change? Why isn't the mechanism provided in the authorizing legislation satisfactory?

Mr. Davenport: Although the statute permits the Department to use 1980 data on the number of children from low-income families to allocate funds for Chapter 1 grants to local school districts, it also requires that the Department adjust those data to reflect the poverty criteria established under the 1970 census. It makes more sense to use the criteria for poverty associated with the 1980 census rather than those associated with the 1970 census since the Department is using 1980 census data to allocate Chapter 1 funds. Our proposed bill language (which has also been submitted to the authorizing committee as part of a larger legislative proposal) would enable the Department to use consistently the most recent census data base for making the formula allocation.

EVALUATION AND TECHNICAL ASSISTANCE

Mr. Early: Why is the Department proposing to establish, in the bill, a specific funding level of $6,246,000 for program evaluation and technical assistance?

Mr. Davenport: The 1987 request for Chapter 1 Evaluation and Technical Assistance, which is $1 million more than the 1986 appropriation and $1.2 million more than the postsequester level, would enable the Department to begin three separate studies of the

Chapter 1 Migrant, Handicapped, and Neglected and Delinquent programs. Evaluation data for these programs are either old or nonexistent. These studies would provide descriptive information on program operations and examine their effectiveness. This information is necessary if the Department and Congress are to make informed program and budget policy. The remaining funds would provide assistance to State and local officials through regional technical assistance centers, support the Chapter 1 program improvement initiative, and enable the Department to review and analyze participation and achievement data submitted by the States through the Chapter 1 Evaluation and Reporting System.

Less than two-tenths of one percent of the total Chapter 1 budget is set aside to provide the Department and Congress with information on which to base budget and policy decisions, improve program quality, and provide necessary technical assistance to States and localities. For other programs such as Bilingual Education and Education for the Handicapped, the percentage of funds devoted to these kinds of activities is much higher.

CONCENTRATION GRANTS

Mr. Early: The Department is also proposing bill language which would prohibit the funding of Concentration Grants. Why is this language necessary?

Mr. Davenport: Since fiscal year 1982 it has been the policy of both Congress and the Administration not to fund Chapter 1 Concentration Grants. Through fiscal year 1984 it had been necessary to provide special appropriations language that overrode the provisions of section 514(a)(2) of the Omnibus Education Reconciliation Act of 1981 (P.L. 97-35) in order not to fund Concentration Grants.

To make its intent clear not to fund concentration grants, Congress has included such language in the appropriation acts for fiscal years 1985 and 1986. Because the Department does not wish to fund concentration grants in 1987, it has followed Congress' practice of including special language in the proposed appropriation bill.

CUTBACKS IN CHAPTER 1 FUNDING

Mr. Hoyer: A recent CRS report cites two studies that have found that cutbacks in funding have not only reduced the number of students receiving services but have resulted in the employment of fewer teachers and aides, the purchase of fewer instructional materials, the reliance on larger, less-effective classes and the implementation of fewer new instructional strategies and approaches. Have you seen this report and/or do you agree with its findings?

Mr. Davenport: We disagree with the finding that funding has been cut. From fiscal year 1982 (the year of the first Reagan Administration budget) through fiscal year 1985, the budget for Chapter 1 Grants to Local Educational Agencies grew by almost 25 percent from $2.6 billion to $3.2 billion. Even after adjusting for inflation the budget for Chapter 1 LEA grants grew by almost 11 percent. The number of children served increased from 4.7

million during the 1982-83 school year to 4.8 million during the 1983-84 school year (the most recent year for which actual data exist). We expect the number of children served to increase again during the 1984-85 school year, but we will not know that for sure until later this year after States have submitted their participation data to the Department.

Even though the 1986 level represents a reduction for the program, we do not believe that the services provided under the program must necessarily decrease. States and localities have wide latitude in determining how they can plan and operate their programs more efficiently. The Department, through its exemplary Chapter 1 project initiative, has identified many effective programs that are operated at modest cost and has made the approaches used in these projects available to others through publication of a resource book and the National Diffusion Network.

CHILDREN COUNTED FOR THE CHAPTER 1 FORMULA

Mr. Hoyer: The number of poor children according to the Census Bureau has gone from 12.2 million in 1980 to 13.3 million presently. These children are not counted in the Chapter 1 formula. Can you explain to me why this is the case? Can it be assumed that they need the Chapter 1 services?

Mr. Davenport: The number of poor children you have cited includes all children under the age of 18 as estimated by the Census Bureau in March 1984. The number of low-income children counted for Chapter 1 purposes includes only those from ages 5 to 17. That figure, as estimated by the Census Bureau in 1984, was 9.3 million.

To allocate Chapter 1 LEA funds, the statute requires the Department to use actual data from the 1980 decennial census -- adjusted to reflect the criteria of poverty associated with the 1970 Census -- until data from the 1990 Census become available. In addition, part of the funds appropriated for Chapter 1 LEA grants must be distributed on the basis of obsolete 1975 Survey of Income and Education data. Because of these anomolies in the law, Chapter 1 funds do not always flow to the areas that are most in need. We have proposed legislation and special appropriation language to correct these problems several times. We hope Congress will take action on our proposals to use a more consistent and accurate data base on which to make the formula allocation.

COST AND BENEFIT OF CHAPTER 1

Mr. Hoyer: Have you seen a copy of the recent study by the House Select Committee on children, youth and families which found that the program had a nearly $6 to $1 cost-benefit to society. Would you agree with this estimate?

Mr. Davenport: While we could argue about the exact dollar benefit of Chapter 1 to society, we would agree that Chapter 1 does have a direct benefit for society in general. Indeed, the reason for our support for compensatory education is the belief that the Federal Government has a legitimate role to play in assisting disadvantaged children to acquire the basic academic skills that will enhance their opportunities to participate fully in society and share equally in its benefits. Our 1987 budget request for Chapter 1 reflects that belief.

CHAPTER 1 VOUCHER PROPOSAL

Mr. Hoyer: As we all know, your Administration is proposing that we adopt a voucher system for Chapter 1. Why should we adopt this approach when Vice President Bush, Secretary Bell and Secretary Bennett have said that the present program works?

Mr. Davenport: Although Chapter 1 is successful in reaching its intended target population and has had a positive impact on student achievement, the services provided allow for little choice or flexibility. Parents of Chapter 1 children have few options in selecting the educational services that best meet the needs of their children because the program's structure assumes that services must be provided through public schools which may vary greatly in quality.

The Chapter 1 voucher proposal will allow parents of disadvantaged children served by the program to have a wider choice in obtaining the educational services that best meet their children's needs. By distributing resources directly to individual families instead of to school districts, a voucher program would inject some market incentives into the educational system. This competition would foster improvements in the quality of educational services offered by both public and private schools, rather than undercut the public school system. There is no reason to believe that giving parents a choice would disrupt those Chapter 1 programs that are performing well.

The recent Felton decision makes the argument for a Chapter 1 voucher program even more pursuasive because such a program would give local school districts more flexibility in providing disadvantaged students in parochial schools with the educational services to which they are entitled under the statute.

Mr. Hoyer: Why would the current voucher legislation as introduced in the House, or TEACH for short, not be subject to Chapter 1's usual requirements regarding program design or fiscal accountability?

Mr. Davenport: Some changes from the usual Chapter 1 requirements were proposed in order to make the voucher proposal easier for LEAs to administer. For example, the voucher proposal would amend section 558 of Chapter 1 so that the prohibition against supplanting would not apply to tuition payments made by parents under the voucher program to a private school or to a public school located outside the school district in which a child resides. The proposal also provides that an attendance area does not become a Chapter 1 project area for purposes of the comparability requirement solely because a parent who receives an educational voucher chooses to enroll his child at a school in that area. Finally, the bill stipulates that use of voucher funds by parents for tuition at a private school or at a public school located outside of the school district does not subject such a private or public school, or the LEA for such public school, to maintenance-of-effort, supplement-not-supplant, or comparability requirements of Chapter 1.

Mr. Hoyer: Why is it that schools which accept vouchers are not considered to be recipients of Federal aid, and therefore not subject to requirements normally applied to such recipients, such as non-discrimination on the basis of sex or handicap?

Mr. Davenport: The bill would not significantly modify Federal law with respect to sex and handicap-based discrimination in admissions. Currently, Title IX (barring sex discrimination) does not apply to the admissions practices of private elementary and secondary schools. With respect to handicapping conditions, the Department's Section 504 regulations do not now require a private school to admit a handicapped student with special educational needs if the school does not offer programs that, with minor adjustments, can meet those needs. The Administration does not believe that a private elementary or secondary school should be subjected to the significant administrative burdens that may be imposed under Section 504 solely because one or two children use voucher funds to enroll at the school. Nothing in the bill, of course, affects the applicability of any State or local law that prohibits private schools from discriminating on the basis of sex or handicapping conditions.

Mr. Hoyer: Is this voucher proposal part of the effort by the "movement conservatives" to take your Department out of the area of elementary and secondary education?

Mr. Davenport: No, our budget request for 1987 for elementary and secondary education programs accounts for 46 percent of the Department's total budget request. This clearly demonstrates our continued commitment to providing targeted assistance to the country's elementary and secondary schools. Moreover, the voucher proposal would in no way affect the amount budgeted for Chapter 1 or the way in which funds are allocated under the formula.

FELTON VS. AGUILAR DECISION

Mr. Hoyer: According to an informal survey conducted by your Department in December one-third fewer students are receiving Chapter 1 services because of the confusion surrounding the Aguilar case. Have you done a more formal survey?

Mr. Davenport: We have not done a more formal survey. We will be able to obtain more complete information through our annual collection of participation data which is done after the conclusion of the school year.

Mr. Hoyer: The committee on education and labor recently published a report on this issue to assist local school districts in addressing the issue and problems presented because of the lack of apparent leadership shown by your Department. What have you done or what do you plan to do in the near future on this subject? When do you expect to issue guidelines?

Mr. Davenport: We have reviewed the report and are considering disseminating some of the examples of how LEAs are meeting the requirements of the Felton decision as models for other districts in the country. We issued guidelines on the Aquilar vs. Felton decision on August 15, 1985, and the Secretary has sent several letters to the Chief State School Officers providing additional guidance. The Director of Compensatory Education has also provided guidance in this area through a memorandum to State Chapter 1 Directors. In addition, the Department has responded to many individual requests for guidance.

Mr. Hoyer: I have heard reports that the Secretary would rather not comply with Aguilar. Is this the reason for the delay?

Mr. Davenport: While the Secretary does not agree with the decision of the U.S. Supreme Court in Aguilar v. Felton, he has consistently worked to ensure State and local compliance with that decision. Further, a Departmental task force has been established to oversee compliance with this decision, and the Office of Compensatory Education Programs has established a special unit solely devoted to this matter.

PARENTAL INVOLVEMENT

Mr. Hoyer: The Administration talks a lot about the family involvement. Has your Department reduced parental involvement in the Chapter 1 program by changes made in 1981?

Mr. Davenport: No, even though local educational agencies are no longer required to establish parent advisory councils, the law still mandates that parents be involved in the planning, implementation, and evaluation of local Chapter 1 projects. Ensuring that local school districts consult with parents in the planning, operation, and evaluation of the program remains a high priority of the Department. Local educational agencies are now required to convene annual public meetings of parents of eligible students to inform them of the programs and activities provided with Chapter 1 funds. The Department continues to provide resource people to meet with the National Coalition of Title I/Chapter 1 Parents. Program review teams continue to interview parents when visiting local educational agencies. Regulations are being revised to emphasize the importance of involving parents in the education of their children. Nonregulatory guidance issued by the Department will include suggested ways of involving parents in the Chapter 1 program.

Mr. Hoyer: Why were these changes made and what is the current status of parental involvement?

Mr. Davenport: The intent of the legislation was not to diminish the importance of parent involvement but to give school districts more flexibility in involving parents. Many school districts continue to use parent advisory councils. Other agencies have extensive training programs for parents, training them in ways to work with their children in home learning activities. Some districts employ parent coordinators to act in a liaison capacity between parents and schools and to provide leadership to parents. In-class activities are sometimes planned for parents to be aides or volunteers. Parents are also encouraged to visit the Chapter 1 classes so that they can better understand the program objectives.

STATE ADMINISTRATION

Mr. Hoyer: How much have you provided for State administrative funds in your FY87 request?

Mr. Davenport: Our 1987 budget request for State Administration is $35,607,000.

Mr. Hoyer: Is there a statutory minimum or maximum for these funds as they relate to the local grant portion of Chapter 1?

Mr. Davenport: Yes, the statute provides that each State shall receive no more than one percent of the amount allocated for its Chapter 1 programs for administration, but none shall receive less than $225,000. In the case of the Outlying Areas, the minimum amount is $50,000.

Mr. Hoyer: My information suggests that the FY80 level was $48.3 million. Is that correct? Does this represent a 26.4 percent decrease?

Mr. Davenport: Yes, in 1980 the statutory amount set aside for State administration under Title I was one and one-half percent of a State's total Title I allocation. In 1981 with enactment of Chapter 1 of the Education Consolidation and Improvement Act, which simplified the administrative requirements of the program, the Congress decreased the statutory maximum set-aside for administration to one percent of a State's total Chapter 1 allocation.

BARRIERS TO EXCELLENCE

Mr. Hoyer: In January 1985, the National Coalition of Advocates for Students issued a report entitled, "Barriers to Excellence: Our Children at Risk." It identifies as "Barriers" such things as low expectations, inequalities in educational expenditures, etc. The findings were supported by Henry Levin, author of "The Educationally Disadvantaged: A National Crisis." His report focused on the rising number of minority students who are educationally disadvantaged. What's being done by your Department or local school districts which specifically addresses minority student participation in Chapter 1?

Mr. Davenport: Local educational agencies use proverty criteria in selecting attendance areas eligible for Chapter 1 services. Within those attendance areas children are selected for services based on an educational needs assessment, with the neediest being served first, without reference to ethnicity or socio-economic status. The most recent data indicate that Black and Hispanic children account for approximately 53 percent of the Chapter 1 children served. State educational agencies are responsible for monitoring projects to ensure the equitable provision of services to all eligible students.

ETHNIC COMPOSITION OF STUDENTS SERVED BY CHAPTER 1

Mr. Hoyer: Do Black and Hispanic children still make up approximately 45 percent of Chapter 1 children?

Mr. Davenport: During the 1983-84 school year (the last year for which actual data are available) Black and Hispanic children accounted for approximately 53 percent of the Chapter 1 children served.

CHAPTER 1 SERVICES FOR THE MOST DISADVANTAGED STUDENTS

Mr. Hoyer: Many researchers have suggested that programs need to be developed to provide more intensive services to the most disadvantaged pupils. What's being done in this area?

Mr. Davenport: The Chapter 1 Technical Assistance Centers are currently conducting a nationwide search for projects which are particularly effective with very low achievers. After verification of results, these projects will be described carefully and shared with the Chapter 1 community.

DISSEMINATION OF EFFECTIVE CHAPTER 1 PROGRAMS

Mr. Hoyer: What is done by your Department to publicize successful and innovative programs?

Mr. Davenport: The National Diffusion Network (NDN) publishes an annual catalog of projects approved by the Joint Dissemination Review Panel entitled "Educational Programs that Work." In addition, under the effective Chapter 1 programs initiative, six regional dissemination conferences are taking place this spring in which Chapter 1 projects recognized in 1985 as unusually effective present their project components to other local educational agencies. In conjunction with the 1985 exemplary project initiative, a two-volume sourcebook containing research findings related to effective schools and profiles of the Chapter 1 projects recognized in 1985 will be disseminated nationwide in late spring and early summer of 1986.

EFFECTIVE CHAPTER 1 PROGRAMS

Mr. Conte: You have embarked upon an ambitious project of finding and publicizing effective Chapter 1 programs. Tell us what sort of an impact you think this will make on the program?

Mr. Davenport: We expect that Chapter 1 programs will improve through use of these successful projects as models for improvement in student achievement gains.

DISSEMINATION OF EFFECTIVE PROGRAMS

Mr. Conte: How will you achieve dissemination of these effective programs?

Mr. Davenport: The practices in these effective programs will be disseminated in a two-volume sourcebook and at regional dissemination workshops. Volume 1 of the sourcebook discusses research related to effective schooling and compensatory education. Volume 2 contains one-page descriptions of each of the recognized projects.

The recognized projects participated in a three-day training workshop in January of 1986 that provided their representatives with effective dissemination and presentation strategies. In a series of six regional dissemination conferences that are being held between March and May of 1986, representatives from the 1985 recognized projects will have the opportunity to present their effective project components to other local educational agencies for possible adoption.

PROGRAM IMPROVEMENT

Mr. Conte: Do you expect that many school districts will change their programs as a result?

Mr. Davenport: We hope so. Attendance at the regional workshops and requests for the sourcebook reflect significant local school district interest in program improvement.

SUCCESSFUL CHAPTER 1 PROJECTS

Mr. Conte: For the record, will you provide a list of those Chapter 1 programs that have been selected.

Mr. Davenport: Chapter 1 programs recognized as unusually effective for the 1984-85 and 1985-86 school years are listed below:

1984-85

Alabama

Birmingham City Schools

Arizona

Amphitheater Public Schools, Tucson
Douglas USD #27
Flagstaff USD #1
Phoenix Elementary District #1

California

Alameda USD
Newport-Mesa USD
Santa Rosa High School District
Healdsburg Union High School District

Colorado

Pueblo School District #60

Connecticut

Bridgeport Public Schools

Delaware

Red Clay Consolidated School District, Wilmington

District of Columbia

D.C. Public Schools

Florida

Volusia County Board of Ed., Deland

Georgia

Georgia DOE Youth Offender, Harduck

Hawaii

Windward Oahu School District, Kaneohe

Idaho

Bonner County School District #82, Sandpoint

Idaho (con't)

Idaho Falls School District #91
New Plymouth School District #372

Illinois

Bloomington Public Schools
Chicago Public Schools
Cobden Units SD #17
Community High School District #218, Oak Lawn
DeKalb CUSD #428
Granite City CUSD #9

Indiana

South Bend Community Schools
Valparaiso Community Schools

Iowa

Cedar Rapids Community School District
Waterloo Community School District

Kansas

Kansas City USD #500

Kentucky

Jefferson County Public Schools, Louisville

Louisiana

Iberia Parish School Board, New Iberia

Maine

Millinocket School Department

Maryland

Montgomery County Public Schools, Rockville

Massachusetts

Attleboro School Department
Boston School Committee
Everett Public Schools
New Bedford Public Schools
Taunton Public School System

Michigan

Bridgeport-Spaulding
Flint Community School
Muskegon Public School

Minnesota

School District #318, Grand Rapids
Milaca Public School #912
Rochester ISD #535

Missouri

Columbia Public School
Kingsville R-I
New Madrid County R-I School District
Meramac Valley R-3 School District, Pacific

Montana

Sterensville School District #2

Nebraska

Lincoln Public Schools

New Hampshire

SAU #49 Governor Wentworth Regional School District, Wolfeboro

New Jersey

Matawan Aberdeen RSD
Middlesex County Vocational Schools, East Brunswick
Willingboro Township Board of Education

New York

Elmira City Schools
Roosevelt Public Schools

North Carolina

Currituck County Schools
Department of Corrections, Raleigh

North Carolina (con't)

Henderson County Schools, Hendersonville
Moore County Schools, Carthage
Salisbury City School

North Dakota

Devils Lake Public School District #1
Fargo Public Schools
Hettinger Public Schools
Stanley Community Public School District #2

Ohio

Lorain City Schools
South Western City Schools, Grove City
Columbus Public Schools
Cleveland City Schools

Oklahoma

Oklahoma City Public Schools ID #89

Oregon

Crook County School Unit, Prineville

Pennsylvania

Chester Upland School District
Greater Labrobe School District
Marble Newton School District, Newton Square
Phoenixville Area School District
William Penn School District, Yeadon
Williamsport Area School District

Puerto Rico

Puerto Rico State Department of Ed., Hata Rey

Rhode Island

North Providence School Department
Portsmouth School Department

South Carolina

Charleston County School District
Darlington County School District
Dillon County School District #2
Greenwood School District #50
Richland County School District #1, Columbia

South Dakota

Douglas School System
Mitchell School District 17-2

Tennessee

Chattanooga Public Schools

Texas

Austin ISD
Corpus Christi ISD
Northside ISD, San Antonio
Tyler ISD

Utah

Alpine School District, American Fork

Vermont

Addison Northeast Supervisory Union District, Bristol
Grand Isle Supervisory Union District, North Hero
Windham Southeast Supervisory Union District, Brattleboro

Virginia

Arlington Public Schools
Portsmouth Public Schools
Henrico County Public Schools, Highland Springs
Newport News Public Schools

Washington

Prosser Consolidated School District
Central Valley School District, Spokane
Spokane School District #21
Port Townsend School District #50
Pasco School District #1

West Virginia

Kanawha County Board of Education, Charleston
Ohio County Schools, Wheeling

Wyoming

Goshen County USD #1, Torrington
Lincoln County School District #2, Afton

1985-86

Alabama

Ozark City School System

Alaska

Fairbanks North Star Borough School District

California

Moreland School District
Poway Unified School District

Colorado

Poudre School District R-1, Fort Collins
Adams County School District #14

Connecticut

Plainfield High School Annex, Central Village
Watertown Public Schools
New London Public Schools
Bridgeport Public Schools
Waterbury Public Schools

Florida

Orange County Public Schools
St. Lucie County Public Schools
Hillsborough County Public Schools

Hawaii

Maui School District

Idaho

The Independent School District of Boise City
Idaho Falls School District #91
School District #271, Coeur d'Alene
New Plymouth School District #372

Illinois

Illinois Department of Corrections, School District #428, Springfield
Community Unit School District #220, Barrington
Danville Community Consolidated School District #118
Mascoutah Community School District #19
Hinsdale Township High School District #86
School District Unit #46, Elgin
Olympia Community Unit School District #16
Community High School District #218, Oaklawn

Indiana

Indianapolis Public Schools
Municipal School District of Washington Township
Lafayette School Corporation
Richmond Community Schools

Iowa

Western Dubuque County Community School District

Kansas

Dodge City Unified School District #443
Topeka Public Schools
Seaman USD #345, Topeka
Wichita Unified School District #259

Kentucky

Rowan County Board of Education
Jefferson County Public Schools

Louisiana

Jefferson Parish Public School System
Caddo Parish School Board
Monroe City Schools
Concordia Parish School Board
La Salle Parish School Board

Massachusetts

Cambridge Public Schools
Haverhill Public Schools
Taunton Public Schools
Wareham Public Schools
Marion Public Schools, Mattpoisett
Worcester Public Schools

Michigan

Adrian Public Schools
Jackson Public Schools
Pincomming Area Schools

Minnesota

Osseo Independent School District #279, Maple Grove
Mankato Independent Public School District #77
Owatonna Public Schools ISD #761
St. Paul Public School District #625

Mississippi

Mississippi State Department of Education
Aberdeen Municipal Separate School District

Missouri

Warsaw R-IX School District
Fayette R-III
Liberty Public Schools
North Kansas City school District
Dunklin R-5 School District, Herculaneum
Division of Youth Services, Jefferson City

Montana

Lewistown Public School District #1

Nevada

Washoe County School District

New Jersey

Freehold Borough Board of Education
Roselle Park Board of Education
Township of Ocean School District, Oakhurst

New Mexico

Univeristy of New Mexico Children's Pyschiatric Hospital/Mimbres School, Albuquerque
Santa Fe Public Schools

New York

New York City Board of Education
Buffalo Public Schools
Binghamton City School District
Waterford-Half-Moon Unified School District

North Carolina

Alamance County Schools
Ashe County Board of Education
Caswell County Schools
Madison County Schools
New Hanover County Schools
Sampson County Schools

North Dakota

Bismarck Public Schools
Wishek Public School District #19

Ohio

Hamilton City School District
Chillicothe City Schools
Elyria City School District

Oklahoma

Broken Arrow Public Schools
Tulsa Independent School District #1

Oregon

Ashland Public Schools
McLaughlin Union High School #3

Pennsylvania

Bradford Area School District
Jersey Shore Area School District
Phoenixville Area School District
Keystone Oaks School District, Pittsburgh

Rhode Island

Johnston School Department

South Carolina

Lexington County School District #2

South Dakota

Groton School District

Texas

Abilene ISD
Austin ISD
Harlandale ISD, San Antonio
Fort Worth ISD
McAllen ISD

Utah

Salt Lake City School District
Jordan School District, Sandy
Granite School District, Salt Lake City
Ogden City School District

Virginia

Rockingham County Public Schools
Wise County School System
Waynesboro Public Schools

Washington

Bellevue School District #405
Bellingham Public Schools #501

West Virginia

Monongalia County Board of Educaton
Mercer County Public Schools
Ohio County Schools

Wisconsin

Lakeland Union High School, Minocqua
Menominee Indian School District
Milwaukee Public Schools
Racine Unified School District
West Bend Joint School District
Stoughton Area School District
School District of Superior

Wyoming

Arapahoe School District #38
Weston County School District #1, Newcastle

MANDATED CHAPTER 1 STUDY

Mr. Conte: What is the final estimated cost of the large-scale Chapter 1 evaluation you have undertaken, and when do you expect to issue the results of that evaluation?

Mr. Davenport: We expect the final cost to be around $7 million. The final report is scheduled to be completed in early 1987.

TECHNICAL ASSISTANCE CENTERS

Mr. Conte: Where are the Chapter 1 Technical Assistance Centers located, and would you please indicate some of their accomplishments.

Mr. Davenport: The regional Technical Assistances and their locations are as follows:

RMC Research Corporation
400 Lafayette Road
Hampton, NH 03842

Advanced Technology, Inc (AdTech)
One Park Fletcher Bldg.
2601 Fortune Circle E.
Indianapolis, IN 46241

Educational Testing Services
250 Piedmont Avenue
Suite 2020
Atlanta, GA 30308

Northwest Regional Educational Laboratory
300 S.W. Sixth Avenue
Portland, OR 97204

The four regional technical assistance centers (TACs) train State and local officials in collecting and reporting evaluation data and using these data to improve their compensatory education programs. Each Center is staffed by research and evaluation experts who provide services to State and local school district personnel through workshops, on-site consultations, telephone calls, and correspondence.

The TAC system further maintains a central test information center and a materials clearinghouse. The test information center compiles, maintains, and disseminates information about characteristics of tests used for evaluation. It also verifies the correctness of all test information disseminated by publishers to States and school districts. The TAC clearinghouse contains computerized information on about 300 Chapter 1 related workshops conducted in the past and over 1,000 research and evaluation studies and provides search and document delivery services upon request to State and local educational agencies and the Department.

The Centers also help review, validate, and edit the information submitted annually to the Department through the Chapter 1

Evaluation and Reporting System. These State reports provide a summary of the compensatory education services offered and the educational impact of those services.

During school year 1984-85, the TACs provided assistance to all SEAs, through more than 3,557 workshops and on-site consultations as well as through numerous telephones calls and correspondence. An examination of TAC services shows that:

- Almost one-fourth of their workshops and consultations focused on training SEA and LEA personnel to measure and evaluate local program effectiveness.
- Around 21 percent of their services focused on program improvement activities such as helping local projects to obtain Joint Dissemination Review Panel validation, assisting State and local officials in applying the findings of effective schools and program improvement research to their projects, and helping States respond to the Chapter 1 program improvement initiative.
- About 18 percent of their activities addressed testing issues such as test planning, test selection, score conversions, and test norming.
- Approximately 6 percent of their services centered on providing assistance to SEAs and LEAs in using microcomputers in evaluation procedures and reporting data.
- The remaining areas of activity centered on helping State and local education officials enhance their ability to report and use evaluation results, improve their effectiveness in collecting data, and use those data for project planning.

During the 1985-86 school year, the TACs are devoting about 50 percent of their resources to helping SEAs and LEAs examine and implement strategies for program improvement by:

- assisting local school districts to analyze and improve project management and instructional services;
- helping LEAs prepare submissions for the Department's Chapter 1 exemplary project recognition program; and
- developing a compensatory education source book that summarizes research findings about effective instructional practices and identifies the attributes of projects recognized last year in the Department's exemplary project identification program.

In addition, the TACs have completed several small scale analyses that examined the sustained achievement of compensatory education students, the use of computers in Chapter 1 projects, and State evaluation data on the migrant education program.

STATE AGENCY PROGRAMS

Mr. Conte: With regard to the three State agency programs for the handicapped, migrants and neglected and delinquent, you have in the past provided State allocation tables in your justification. Would you insert tables for your FY 1987 Budget into the record at this point.

Mr. Davenport: A State table showing the estimted allocation of State agency funds under the 1987 request follows:

STATE AGENCY GRANTS

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STATE AGENCY GRANTS
Estimated 1987 State Allocations

STATE	TOTAL	MIGRATORY	NEGLECTED DELINQUENT CORRECTIONAL	HANDICAPPED
ALABAMA	$2,209,794.35	$1,492,819.28	$273,788.09	$443,186.99
ALASKA	$3,460,544.69	$1,378,880.72	$154,423.16	$1,927,240.81
AMERICAN SAMOA***	$34,126.78	$0.00	$0.00	$34,126.78
ARIZONA	$5,791,705.00	$4,955,327.89	$266,511.43	$569,865.69
ARKANSAS	$4,945,805.52	$3,093,666.16	$296,603.76	$1,555,535.59
CALIFORNIA	$62,060,302.38	$57,657,566.24	$2,987,754.19	$1,494,981.94
CANAL ZONE***	$0.00	$0.00	$0.00	$0.00
COLORADO	$4,929,091.15	$2,039,046.74	$342,328.88	$2,547,715.53
CONNECTICUT	$5,589,700.24	$2,239,228.92	$1,128,541.14	$2,221,930.18
DELAWARE	$3,355,982.40	$645,108.28	$176,960.59	$2,533,913.53
DISTRICT OF COLUMBIA	$3,228,338.88	$39,746.01	$425,707.09	$2,762,885.78
FLORIDA	$23,194,453.96	$16,532,294.26	$1,656,932.29	$5,005,227.41
GEORGIA	$4,344,961.99	$2,145,469.10	$814,130.02	$1,385,362.86
GUAM***	$179,857.36	$0.00	$0.00	$179,857.36
HAWAII	$443,046.52	$0.00	$79,823.12	$363,223.40
IDAHO	$3,070,099.56	$2,844,183.53	$56,204.47	$169,711.56
ILLINOIS	$25,307,629.51	$1,806,206.11	$976,715.91	$22,524,707.49
INDIANA	$5,314,949.17	$631,247.50	$725,235.84	$3,958,465.83
IOWA	$842,545.35	$120,848.95	$366,116.32	$355,580.08
KANSAS	$3,527,567.04	$1,895,334.28	$516,441.16	$1,115,791.60
KENTUCKY	$3,792,279.41	$2,017,466.58	$340,565.67	$1,434,247.17
LOUISIANA	$7,300,941.04	$4,400,517.16	$606,224.08	$2,294,199.80
MAINE	$3,019,318.02	$2,162,015.18	$172,772.93	$684,529.91
MARYLAND	$3,028,267.13	$325,305.78	$1,249,575.51	$1,453,385.84
MASSACHUSETTS	$14,327,486.23	$4,129,421.25	$424,495.99	$9,773,569.00
MICHIGAN	$14,600,434.32	$5,284,852.79	$1,591,270.18	$7,724,311.35
MINNESOTA	$1,665,505.01	$983,295.76	$371,686.53	$310,522.72
MISSISSIPPI	$2,764,775.57	$1,899,247.68	$317,193.52	$548,334.37
MISSOURI	$2,636,528.40	$988,595.17	$265,805.23	$1,382,128.00
MONTANA	$690,092.45	$145,086.10	$129,374.80	$415,631.54
NEBRASKA	$574,789.55	$233,020.22	$161,598.15	$180,171.19
NEVADA	$844,323.48	$390,444.07	$148,880.00	$304,999.40
NEW HAMPSHIRE	$930,204.47	$69,620.41	$81,178.26	$779,405.81
NEW JERSEY	$6,544,184.39	$1,706,020.94	$1,227,872.79	$3,610,290.66
NEW MEXICO	$1,981,736.03	$1,480,043.91	$289,627.39	$212,064.73
NEW YORK	$34,086,621.85	$3,368,627.01	$4,287,955.50	$26,430,039.34
NORTH CAROLINA	$5,506,119.11	$2,675,008.22	$1,130,767.06	$1,700,343.83
NORTH DAKOTA	$793,505.04	$414,995.57	$56,035.26	$322,474.20
OHIO	$7,493,864.60	$1,083,029.17	$1,458,691.07	$4,952,144.36
OKLAHOMA	$2,354,109.47	$1,365,298.51	$168,564.62	$820,246.35
OREGON	$9,531,329.36	$4,954,085.52	$712,892.89	$3,864,350.95

STATE AGENCY GRANTS

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STATE	TOTAL	MIGRATORY	NEGLECTED DELINQUENT CORRECTIONAL	HANDICAPPED
PENNSYLVANIA	$14,375,927.88	$1,387,235.53	$1,066,894.59	$11,921,797.77
PUERTO RICO	$1,797,405.22	$1,332,785.08	$168,927.83	$295,692.31
RHODE ISLAND	$585,285.47	$116,180.64	$16,694.40	$452,410.44
SOUTH CAROLINA	$1,513,774.49	$313,891.55	$702,277.57	$497,605.37
SOUTH DAKOTA	$375,456.90	$32,427.17	$75,135.60	$267,894.13
TENNESSEE	$1,653,564.31	$224,208.25	$784,636.59	$644,719.47
TEXAS	$51,640,092.10	$44,075,649.84	$1,516,137.34	$6,048,304.92
UTAH	$1,462,173.57	$521,793.74	$159,153.24	$781,226.59
VERMONT	$1,832,151.68	$325,444.09	$74,735.28	$1,431,972.31
VIRGINIA	$2,402,823.81	$278,227.17	$669,571.85	$1,455,024.79
VIRGIN ISLANDS***	$63,499.05	$0.00	$0.00	$63,499.05
WASHINGTON	$10,602,134.80	$8,093,519.34	$97,865.44	$2,410,950.02
WEST VIRGINIA	$1,142,314.82	$48,437.33	$205,425.10	$888,452.39
WISCONSIN	$3,102,657.87	$902,400.88	$639,632.66	$1,560,624.34
WYOMING	$1,303,406.03	$214,028.44	$141,067.64	$947,709.95
NORTHERN MARIANAS***	$155,415.21	$0.00	$0.00	$155,415.21
NATIONAL TOTALS	$380,305,000.00	$197,519,000.00	$32,616,000.00	$150,170,000.00

STATE AGENCY PROGRAM FUNDING

Mr. Conte: I have never been able to track how this State agency funding gets spent in my own State of Massachusetts. Also for the record, will you please provide a detailed description of how the State of Massachusetts spends its allocation for each of the three programs, indicating what grants are made to whom, how many children are served at each location, and how these programs are coordinated with the local educational agencies.

Mr. Davenport: The Department makes grants to the States under the State Agency program. Each State in turn has the responsibility for distributing those funds to various agencies within the State that apply for funds. There is no record at the Federal level of how Massachusetts or any other State allocates its State agency funds within the State. That information is available only from the State educational agency. The following table, however, shows how many eligible students were counted in Massachusetts for each Chapter 1 State agency program for the 1986-87 school year:

Formula Counts for the 1986-87 Allocation

Program	Number of Children Counted for Allocation Purposes
Migrant Education	6,724
Handicapped	15,000
Neglected and Delinquent	502

EVALUATION OF STATE AGENCY PROGRAMS

Mr. Conte: Your budget requests about $2.6 million, I believe, to initiate major national evaluations of each of the three State agency programs. Why, after many years of little attention, are you now so eager to conduct simultaneous nationwide evaluations of all three programs? What are you hoping to come up with -- what are your purposes and your goals?

Mr. Davenport: Evaluation data for these programs are either old or non-existent. For example, the last study of the Neglected and Delinquent program was completed in 1977 and was based on data gathered in the 1974-75 school year. There has never been a comprehensive study of the Chapter 1 Handicapped program. The last large-scale study of the Chapter 1 Migrant program was completed in 1981. These studies would provide descriptive information on program operations and examine their effectiveness. They are necessary if the Department and Congress are to make informed program and budget policy.

DEPARTMENT OF EDUCATION

Compensatory Education for the Disadvantaged

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COMPENSATORY EDUCATION FOR THE DISADVANTAGED

For carrying out chapter 1 of the Education Consolidation and Improvement Act of 1981, as amended, $3,688,163,000, of which [$5,246,000] $6,246,000 shall be used for purposes of section 555(d) of said Act to provide technical assistance and evaluate programs, and the remaining [$3,682,917,000] $3,681,917,000 shall become available on July 1, [1986] 1987 and remain available until September 30, [1987] 1988: Provided, That of these remaining funds, no funds shall be used for purposes of section 554(a)(1)(B), [$264,524,000] $202,519,000 shall be available for purposes of section 554(a)(2)(A), $150,170,000 shall be available for purposes of section 554(a)(2)(B), $32,616,000 shall be available for purposes of section 554(a)(2)(C), and $35,607,000 shall be available for purposes of section 554(b)(1)(D)[.]: Provided further, That notwithstanding the provisions of section 111(c) of the Elementary and Secondary Education Act, as amended, the criteria of poverty utilized by the Bureau of the Census in the 1980 decennial Census shall be used as the basis for allocating funds under chapter 1 where applicable:1/ Provided further, That notwithstanding the provisions of section 111(a) of the Elementary and Secondary Education Act, as amended, no funds appropriated under chapter 1 shall be allocated on the basis of data taken from the 1975 survey of income and education conducted by the Bureau of the Census:2/ Provided further, That for purposes of section 142(b) of the Elementary and Secondary Education Act, as amended, a migratory child of a migratory agricultural worker or a migratory fisherman shall be deemed to continue to be a migratory child for a period not in excess of three years during which he resides in the area served by the agency carrying on a program or project under section 142(b):[3] Provided further, That notwithstanding the provisions of section 143 of the Elementary and Secondary Education Act, as amended, not more than five per centum of the amount appropriated under section 554(a)(2)(A) of the Education Consolidation and Improvement Act shall be used for coordination of migrant education activities:[4] Provided further, That funds made available to Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Republic of Palau under sections 111(a) and 156 of the Elementary and Secondary Education Act, as amended, shall be available only in amounts that such entities would have received had the Compact of Free Association not been enacted.[5]

[For carrying out section 418A of the Higher Education Act, $7,500,000.][6] (Department of Education Appropriation Act, 1986.)

Compensatory Education for the Disadvantaged

Explanation of Language Changes

1/ This language enables the Department to allocate Chapter 1 funds based on the criteria of poverty used by the Bureau of the Census in compiling the 1980 Census instead of the criteria used in conducting the 1970 Census. Under the authorizing statute, the Department could use data on the number of low-income families from the 1980 Census in calculating the Chapter 1 formula allocation, but would have to adjust those data to reflect the poverty criteria established under the 1970 Census. The effect of the language would be to provide the agency with a more current and accurate data base on which to make the formula allocation.

2/ This language would eliminate the anomaly, required by the authorizing statute, of having to distribute a portion of the appropriation on the basis of obsolete 1975 Survey of Income and Education data.

3/ This language would reduce from five years to three years the time a formerly migrant child can be deemed migratory for purposes of allocating funds and receiving services under the Chapter 1 Migrant program. Under the current law, migrant children are counted for allocation purposes and are eligible to receive services for up to five years after they last migrated. By reducing that period to three years in fiscal 1987, the Department can focus limited migrant funds more effectively on students whose education has most recently been interrupted because of their migrancy. Legislation amending the authorizing statute was also submitted to Congress in 1985 to address this issue. Phased in over two years, the reform would limit eligibility for formerly migrant students to three years in fiscal year 1987 and two years in fiscal year 1988.

4/ This language removes the statutory $6,000,000 minimum for coordination of migrant education activities. The five percent ceiling for these kinds of activities would remain in effect as the maximum set-aside. This provision would enable the Department to fund migrant coordination activities at $5,000,000 in fiscal year 1987.

5/ The language provides that the Republic of Palau, Guam, American Samoa, the Virgin Islands, and the Northern Mariana Islands shall continue to receive the amount of Chapter 1 funds to which they are entitled. This language is required because the recently enacted Compact of Free Association gave two entities within the Trust Territory of the Pacific (the Marshall Islands and the Federated States of Micronesia) independence, while a third (the Republic of Palau) chose to remain associated with the United States. As a result, the number of territories constituting the Outlying Areas that receive Chapter 1 funding has been reduced. In order to reflect this change in status, the language provides that amounts that would have flowed to the Marshall Islands and the Federated States of Micronesia would be redistributed to all the entities receiving Chapter 1 assistance rather than to just the Outlying Areas alone.

Compensatory Education for the Disadvantaged

Explanation of Language Changes -- Continued

6/ This language has been deleted since no funds are requested for the High School Equivalency and the College Assistance Migrant programs in fiscal year 1987. Further, the activities have been proposed for consolidation with similar activities authorized in the Higher Education account.

Compensatory Education for the Disadvantaged

Language Analysis

Language Provision	Explanation
For carrying out chapter 1 of the Education Consolidation and Improvement Act of 1981, as amended, $3,688,163,000, of which [$5,246,000] $6,246,000 shall be used for purposes of section 555(d) of said Act to provide technical assistance and evaluate programs, and the remaining [$3,682,917,000] $3,681,917,000 shall become available on July 1, [1986] 1987, and remain available until September 30, [1987] 1988:	This language establishes a specific funding level of $6,246,000 for program evaluation and technical assistance under section 555(d) of the Education Consolidation and Improvement Act. It further stipulates that funds appropriated for that activity would become available on October 1, 1986, or immediately upon enactment of the fiscal year 1987 appropriation. Funds for the remaining activities appropriated under Chapter 1 would become available on July 1, 1987, and remain available through September 30, 1988. This language would enable the Department to begin planned studies of the State agency programs early in fiscal year 1987.
Provided, That of these remaining funds, no funds shall be used for purposes of section 554(a)(1)(B), [$264,524,000] $202,519,000 shall be available for purposes of section 554(a)(2)(A), $150,170,000 shall be available for purposes of section 554(a)(2)(B), $32,616,000 shall be available for purposes of section 554(a)(2)(C),	This language prohibits the funding of concentration grants and establishes funding levels for the Chapter 1 State Agency Migrant, Handicapped, and Neglected and Delinquent programs.

Compensatory Education for the Disadvantaged

Language Analysis -- Continued

Language Provision	Explanation
and $35,607,000 shall be available for purposes of section 554(b)(1)(D)[.]:	This language establishes a specific funding level for Chapter 1 State Administration. Under this provision, the Department would allocate available funds to each State based on the size of its total Chapter 1 allocation. However, no State would receive less than $225,000. Outlying Areas would each receive a minimum of $50,000.
Provided further, That notwithstanding the provisions of section 111(c) of the Elementary and Secondary Education Act, as amended, the criteria of poverty utilized by the Bureau of the Census in the 1980 decennial Census shall be used as the basis for allocating funds under chapter 1 where applicable:	This language enables the Department to allocate Chapter 1 funds based on poverty criteria used by the Bureau of the Census in compiling the 1980 Census instead of those used in the 1970 Census. Under the existing statute, the Department must use data on the number of low-income families from the 1980 Census in calculating the Chapter 1 formula but must adjust those data to reflect the poverty criteria use in the 1970 Census. The effect of this language would be to provide the Department with more accurate, up-to-date data on which to base the formula allocation.
Provided further, That notwithstanding the provisions of section 111(a) of the Elementary and Secondary Education Act, as amended, no funds appropriated under chapter 1 shall be allocated on the basis of data taken from the 1975 survey of income and education conducted by the Bureau of the Census:	This language would eliminate the requirement in current law to adjust the distribution of available funds so that part of those funds are distributed based on 1975 Survey of Income and Education data which are now obsolete.

Compensatory Education for the Disadvantaged

Language Analysis -- Continued

Language Provision	Explanation
Provided further, That for purposes of section 142(b) of the Elementary and Secondary Education Act, as amended, a migratory child of a migratory agricultural worker or a migratory fisherman shall be deemed to continue to be a migratory child for a period not in excess of three years during which he resides in the area served by the agency carrying on a program or project under section 142(b):	This language would reduce from five years to three years the time a formerly migrant child can be deemed migratory for purposes of allocating funds and receiving services under the Chapter 1 Migrant program. Under the current law, migrant children are counted for allocation purposes and are eligible to receive services for up to five years after they last migrate. By reducing that period to three years in fiscal 1987, the Department could focus limited Migrant funds more effectively on students whose education has been interrupted because of their migrancy. Legislation amending the authorizing statute has been submitted to Congress to address this issue. Phased in over two years, the legislation would limit eligibility to three years in fiscal year 1987 and two years in fiscal 1988 and thereafter.
Provided further, That notwithstanding the provisions of section 143 of the Elementary and Secondary Education Act, as amended, not more than five per centum of the amount appropriated under section 554(a)(2)(A) of the Education Consolidation and Improvement Act shall be used for coordination of migrant education activities:	This language removes the statutory $6,000,000 minimum for coordination of migrant education activities. The five percent ceiling for migrant coordination activities would remain in effect as the maximum set-aside for these kinds of activities. This provision would enable the Department to fund migrant coordination activities at $5,000,000 in fiscal year 1987.

Compensatory Education for the Disadvantaged

Language Analysis -- Continued

Language Provision	Explanation
Provided further, That funds made available to Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Republic of Palau under sections 111(a) and 156 of the Elementary and Secondary Education Act, as amended, shall be available only in amounts that such entities would have received had the Compact of Free Association not been enacted.	The language provides that the Republic of Palau, Guam, American Samoa, the Northern Mariana Islands, and the Virgin Islands, shall continue to receive the amount of Chapter 1 funds to which they are entitled. This language is required because the recently enacted Compact of Free Association gave two entities within the Trust Territory of the Pacific (the Marshall Islands and the Federated States of Micronesia) independence, while a third (the Republic of Palau) chose to remain associated with the United States. In 1987, the amounts that would have flowed to the Marshall Islands, and the Federated States of Micronesia would be redistributed to all the States and Outlying Areas receiving Chapter 1 assistance rather than just the Outlying Areas alone.

Compensatory Education for the Disadvantaged

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual..................	$3,695,663,000	$3,695,663,000	$3,688,163,000
Sequester order..........	---	-158,914,000	---
Proposed rescission.....	---	-7,177,000	---
Subtotal, adjusted appropriation.........	3,695,663,000	3,529,572,000	3,688,163,000
Comparative transfers to:			
Higher Education for:			
High school equivalency program................	-6,300,000	--- 1/	---
College assistance migrant program........	-1,200,000	--- 2/	---
Subtotal, adjusted budget authority......	3,688,163,000	3,529,572,000	3,688,163,000
Recovery of prior year obligations.............	573,000	---	---
Unobligated balance, start of year...........	26,216,000	4,090,000	---
Unobligated balance, end of year.............	-4,090,000	---	---
Total obligations...	3,710,863,000 3/4/	3,533,662,000	3,688,163,000

1/ Reflects a sequester of $271,000 and a rescission of $6,029,000.

2/ Reflects a sequester of $52,000 and a rescission of $1,148,000.

3/ Total obligations for 1985 include $65,000 contingently obligated under court order.

4/ Excludes $27,492,000 for reimbursable activities carried out under this account in 1985.

Compensatory Education for the Disadvantaged

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. Grants for the disadvantaged:				
a. Grants to LEAs..............	$3,200,000,000	$3,062,400,000	$3,062,400,000	$3,261,005,000
b. State agency programs:				
(1) Migrants.................	264,524,000	253,149,000	253,149,000	202,519,000
(2) Handicapped..............	150,170,000	143,713,000	143,713,000	150,170,000
(3) Neglected & delinquent..	32,616,000	31,214,000	31,214,000	32,616,000
Subtotal...........	447,310,000	428,076,000	428,076,000	385,305,000
c. State administration.......	35,607,000	34,076,000	34,076,000	35,607,000
2. Evaluation and studies..........	5,246,000	5,020,000	5,020,000	6,246,000
3. Migrant education...............	7,500,000	7,177,000	---	---
Total..............	3,695,663,000	3,536,749,000	3,529,572,000	3,688,163,000

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3. Reflects a proposed rescission of $7,177,000 for the High School Equivalency program and the College Assistance Migrant program.

Compensatory Education for the Disadvantaged

Budget Authority by Object

	1985	1986	1987
Other services:			
Project contracts.........	$5,246,000	$5,020,000	$6,246,000
Grants, subsidies, and contributions.............	3,682,917,000	3,524,552,000	3,681,917,000
Total budget authority by object..............	3,688,163,000	3,529,572,000 [1/]	3,688,163,000

1/ Reflects a reduction of $158,591,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Compensatory Education for the Disadvantaged

Summary of Changes

1986 Estimate...	$3,688,163,000
1986 Sequester order	-158,591,000
Total estimated budget authority	3,529,572,000
1987 Request...	3,688,163,000
Net change..................	+158,591,000

	1986 Base 1/	Change from Base
Increases:		
Program:		
1. Grants for the disadvantaged: Grants to local educational agencies -- Increase reflects a shift in resources from the Migrant program made possible through the proposed Migrant education reform. LEAs can use additional funds to serve those formerly migrantory students who are dropped from eligibility under the Migrant Education program because of proposed legislative change......	$3,062,400,000	+$198,605,000
2. Grants for the disadvantaged: State agency handicapped program — Increase would restore program funding to its 1985 and 1986 pre-sequestered levels. No policy changes are proposed for 1987............................	143,713,000	+6,457,000
3. Grants for the disadvantaged: Neglected and delinquent program — Increase would restore program funding its 1985 and 1986 pre-sequestered levels. No policy changes are proposed for 1987....	31,214,000	+1,402,000
4. Grants for the disadvantaged: State administration -- Increase would restore funding to its 1985 and 1986 pre-sequestered levels. Each State agency would receive an amount that is proportionate to its total State Chapter 1 allocation but not less than $250,000. The Outlying Areas would receive a minimum of $50,000 each........	34,076,000	+1,531,000

Compensatory Education for the Disadvantaged

Summary of Changes -- Continued

	1986 Base 1/	Change from Base
5. Evaluation and technical assistance -- Increase would enable the Department to begin national evaluations of the three State agency programs in fiscal year 1987......	5,020,000	+1,226,000
Subtotal.................		+209,221,000
Decreases:		
Program:		
1. Grants for the disadvantaged: Migrant education program -- Decrease reflects proposed legislation that in 1987 would reduce from five to three years the time a formerly migratory child remains eligible for this program. An estimated 312,000 children would remain eligible for the program.........	$253,149,000	-$50,630,000
Net change...............		+158,591,000

1/ Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Compensatory Education for the Disadvantaged

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. Grants for the disadvantaged:			
a. Grants to LEAs	ECIA, Chapter 1, Sec. 554(a)(1)(A) and ESEA, Title I, Sec. 111	Indefinite	Indefinite
b. State agency programs	ECIA, Chapter 1, Sec. 554(a)(2)(A), (B), and (C) and ESEA, Title I, Secs. 141, 146, and 151	Indefinite	Indefinite
c. State administration	ECIA, Chapter 1, Sec. 554(b)(1)(d) and ESEA, Sec. 194	Indefinite	Indefinite
2. Evaluation and technical assistance	ECIA, Chapter 1, Sec. 555(d)	Indefinite	Indefinite
Unfunded authorizations:			
Incentive grants	ECIA, Chapter 1, Sec. 554(a)(1)(B) and ESEA, Title I, Sec. 116	Indefinite	Indefinite
Concentration grants	ECIA, Chapter 1, Sec. 554(a)(1)(B) and ESEA, Title I, Sec. 116	Indefinite	Indefinite
Total definite authorization........		---	---

Compensatory Education for the Disadvantaged

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation[1]
1978	$2,641,217,000	$2,741,217,000	$2,741,217,000	$2,741,217,000
1979	3,385,668,000	3,085,668,000	2,896,663,000	3,235,230,000
1980	3,485,715,000	3,485,715,000	3,335,926,000	3,222,676,000
1981	2,643,581,000[2]	3,170,848,000	3,057,940,000	3,111,620,000
1982	2,481,047,000[3]	3,211,620,000	3,013,787,000	3,040,980,000
1983	1,942,000,000	3,040,980,000	3,207,500,000	3,207,894,000
1984	3,013,969,000	3,487,500,000	3,487,500,000	3,487,500,000
1985	3,480,000,000	3,687,500,000	3,704,120,000	3,695,663,000
1986	3,646,615,000	3,695,663,000	3,695,663,000	3,695,663,000
1986 Sequester	-158,914,000			
1986 Rescission	-7,177,000			
1987	3,688,163,000			

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[1] Reflects enacted supplementals, rescissions, and reappropriations.

[2] Revised request submitted February 1980.

[3] Revised request submitted September 1981.

Compensatory Education for the Disadvantaged

Significant Items in Congressional Appropriations Reports

Item	Action taken or to be taken
1986 Senate Report	
Migrant Education	
The Committee directs that migrant children continue to be served under the Chapter 1 Migrant Education program for up to five years after their initial migration in order that sufficient assistance be provided for making adjustments in their communities and schools.	The Department continues to carry out the provisions of of section 142(b) of the Elementary and Secondary Education Act as required by law. However, the Department has submitted legislation to amend section 142(b), and has also proposed appropriations language to enable it to begin implementing this change in fiscal year 1987.

Compensatory Education for the Disadvantaged

Account Summary

	1985	1986	1987
1. Grants for the disadvantaged:			
a. Grants to LEAs........	$3,200,000,000	$3,062,400,000	$3,261,005,000
b. State agency programs:			
(1) Migrants..........	264,524,000	253,149,000	202,519,000
(2) Handicapped.......	150,170,000	143,713,000	150,170,000
(3) Neglected and delinquent.......	32,616,000	31,214,000	32,616,000
Subtotal..........	447,310,000	428,076,000	385,305,000
c. State administration..	35,607,000	34,076,000	35,607,000
2. Evaluation and technical assistance.............	5,246,000	5,020,000	6,246,000
Total budget authority...	3,688,163,000	3,529,572,000 1/	3,688,163,000

1/ Reflects a reduction of $158,591,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

A significant segment of our Nation's youth, many of them from low-income families, are educationally disadvantaged, despite the universal availability of elementary and secondary education. While efforts to address the particular needs of these children have had some success, national data indicate that the educational performance of special needs groups still lags behind that of the general population.

For example, according to a 1981 Census report, almost 23 percent of school children ages 5 through 17 are one or more years behind the educational level appropriate for their ages. Data from the Department's High School and Beyond Study indicate that almost 31 percent of high school seniors need remedial instruction in English and 30 percent need such instruction in mathematics.

The primary vehicle for helping schools meet the special educational needs of educationally disadvantaged children has been the Grants for the Disadvantaged program authorized by Title I of the Elementary and Secondary Education Act (ESEA). Since 1966, almost $50 billion has been appropriated for this activity in the belief that the Federal Government has a role in assisting disadvantaged children to acquire basic academic skills that will enhance their opportunities to participate fully in society and to share equally in its benefits.

Compensatory Education for the Disadvantaged

Account Summary -- Continued

Responding to concerns about the administrative burden of Title I, which many believe sapped the program of its vitality, Congress enacted Chapter 1 of the Education Consolidation and Improvement Act (ECIA). As the successor to Title I, Chapter 1 maintained Title I's allocation formula and its basic policy of serving educationally deprived children most in need, but simplified the administrative and program requirements and removed unnecessary Federal supervision and control.

Congress further clarified and expanded the Chapter 1 statute in 1983 with the ECIA Technical Amendments of 1983, P.L. 98-211. Under that Act, school districts were provided additional flexibility in such areas as establishing eligible school attendance areas and targeting Chapter 1 funds. Certain Chapter 1 provisions relating to supplanting of local funds, participation of private school children who reside in project areas, and parental involvement were clarified. States now are required to conduct an evaluation of all their Chapter 1 compensatory education programs and to collect data every two years describing the children served. The law further mandated that the Department conduct an assessment of compensatory education under Chapter 1 and submit a report to the Congress by January 1, 1987.

Despite these changes, the current Chapter 1 program provides parents of children selected to receive compensatory education with little choice in selecting the educational services that best meet their children's needs. To provide parents of Chapter 1 students with more educational options, the Administration introduced The Equity and Choice Act (TEACH) in November 1985 authorizing the use of vouchers by parents of Chapter 1 participants to obtain the educational services that best meet their children's needs. In addition to making resources directly available to individuals, such a system would inject a healthy element of competition into the educational systems, encourage parents to become more involved in the education of their children, and give local school districts more flexibility in providing disadvantaged students in parochial schools with the educational services required by Chapter 1. The legislation would not affect the allocation of funds or the selection of students served.

The 1987 request of $3,688,163,000 for the Compensatory Education for the Disadvantaged program represents a $158,591,000 increase over the 1986 base (which reflects reductions made pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177). It will support the Administration's continued commitment to helping States and localities meet the special educational needs of educationally disadvantaged children while recognizing the need to curtail expenditures and control the Federal deficit. Despite these fiscal limitations imposed by P.L. 99-177, the activities funded within the program remain high priorities within the Department and make up 24.2 percent of its total budget request.

Compensatory Education for the Disadvantaged

Account Summary -- Continued

Within this request, the Department proposes generally to increase funding for the Grants to Local Educational Agencies program and the Evaluation and Technical Assistance activity over their 1986 enacted levels and to increase funding for the State agency Handicapped and Neglected and Delinquent programs and State Administration to their original 1986 appropriation levels. The Chapter 1 Migrant program would be funded at a reduced level to reflect a proposed change in its authorizing statute. The difference would be redirected primarily to the LEA Grant program.

The Administration has also submitted a series of changes reflected in special appropriations language that would: (1) enable the Department to use consistently the most recent data in making Chapter 1 formula allocations; and (2) focus the Chapter 1 Migrant program more effectively on children who actually migrate.

Compensatory Education for the Disadvantaged

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1. Grants for the disadvantaged: a. Grants to local educational agencies (Public Law 97-35, Education Consolidation and Improvement Act of 1981, as amended, Chapter 1)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$3,200,000,000	$3,062,400,000	$3,261,005,000	+$198,605,000

Purpose and Method of Operation

Grants to local educational agencies (LEAs) support supplementary compensatory educational services designed to increase the educational attainment of educationally disadvantaged children to a level appropriate for children of their age. The program provides financial assistance to school districts according to the number of children from low-income families. Local school districts develop and implement their own programs to meet the needs of their students.

Financial assistance flows to school districts by formula, based on a State's average per pupil expenditure for education and the number of school-aged children from low-income families. Within districts, local school officials target funds on schools with the greatest number of poor children. (The supplemental fact sheet at the end of this activity narrative describes the formula in greater detail.)

Appropriations for the LEA grant program are made on a forward funded basis. The 1987 appropriation will become available on July 1, 1987, and will remain available for obligation until September 30, 1988. School districts will use the funds for the 1987-88 school year.

Accomplishments[1/]

Effectiveness — Data show that Chapter 1 has had modest success in improving the basic skills of students participating in the program.

The Sustaining Effects Study (1982) showed that Title I students gained more than similar students who do not receive Title I services, in both reading and mathematics. Although significant, those gains were not great enough

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[1/] Throughout this section some of the older data cited are descriptive of the antecedent Title I program.

Accomplishments -- Continued

for the Title I participants to "catch up" with non-disadvantaged, non-Title I students. Over time, Title I had some sustained benefits for program participants, particularly in reading, but students receiving remedial mathematics instruction often regressed when Title I support was removed.

The ongoing mandated study of Chapter 1 is examining the program's effect on student achievement. The Department expects to have preliminary findings from this study later in 1986 that will update information from the Sustaining Effects Study.

More recent State data from the 1983-84 Chapter 1 Evaluation and Reporting System also indicate that Chapter 1 has a positive impact on raising academic achievement. Achievement results of Chapter 1 students, show modest gains in all grades for reading and mathematics. However these gains tend to be greater for students in the elementary grades than for those in junior and senior high. The achievement gains measured in the 1983-84 school year are consistent with those observed in 1979-80 through 1982-83.

Participants — Data submitted by the States under the Chapter 1 Evaluation and Reporting System for the 1983-84 school year, the most recent year for which actual numbers are available, indicate that Chapter 1 serves slightly over 4.8 million children. This is a slight increase over the 4.7 million served in the 1982-83 school year and reverses the steady decline that had occurred between the 1979-80 and 1982-83 school years.

The majority of Chapter 1 students (69 percent) are in grades one through six, 7 percent are in kindergarten or preschool programs, and 24 percent are in grades 7 through 12. Almost 5 percent of these students attend nonpublic schools. Roughly 42 percent of the Chapter 1 LEA participants are white, 28 percent are black, 25 percent are Hispanic, 2 percent are American Indian, and 3 percent are Asian or Pacific Islander. In terms of academic achievement, Chapter 1 students fall well below the national norm in standardized reading and mathematics tests at the time they are selected to participate in the program.

Districts — Chapter 1 funds flowed to nearly 14,000 school districts, about 90 percent of the districts in the United States, during the 1983-84 school year. According to the District Practices Study (1983), about 73 percent of the districts receiving funds have enrollments below 2,500; 22 percent have between 2,500 and 10,000 students; 4 percent have between 10,000 and 45,000 students; and one percent has more than 50,000 students. However, school districts in the 25 largest cities account for 25 percent of all funds even though they represent less than one percent of all districts receiving Chapter 1 assistance.

Accomplishments -- Continued

Approximately 48 percent of the districts have more than 12 percent of their enrollment living in families that fall below the poverty line; another 35 percent have between 5 and 12 percent of their students coming from poverty backgrounds; and 17 percent have a low incidence (less than 5 percent of their total enrollment) of poverty.

Services -- During the 1983-84 school year, approximately 75 percent of the Chapter 1 participants received compensatory reading instruction, while 42 percent received remedial mathematics instruction. In addition, Chapter 1 students receive instruction in other academic areas such as language arts (22 percent) and English for limited English proficient students (12 percent). Students also receive support services such as health and nutrition services (15 percent) and guidance counseling (17 percent).

Forty-three percent of the school districts indicate that they pull students out of their regular classrooms to provide Chapter 1 instruction; 6 percent indicate that they provide services only within the regular classroom. Most (51 percent) use a combination of the two approaches (District Practices Study, 1983). A recent 1985 report on changes under Chapter 1 prepared for the House Committee on Education and Labor also indicates that pullout programs continue to predominate as the method for delivering services.

Staffing -- School year 1983-84 data show that Chapter 1 projects employ the equivalent of 155,212 people full-time. About 86 percent are either teachers or teacher aides. The remainder serve as administrators, support staff, or curriculum specialists.

Expenditures -- According to the District Practices Study, school districts spent nearly 80 percent of their Title I funds on instructional services in the 1981-82 school year. Expenditures for fixed charges such as personnel benefits accounted for 7 percent of their budgets; administration costs consumed another 5 percent; the cost of auxiliary services, such as health services and parent training, accounted for another 3 percent; and 5 percent went for operations, maintenance of the physical plant, and purchases of equipment.

The Federal contribution per child nationally stood at $563 during the 1983-84 school year. That figure varies widely by State, ranging from $390 in Puerto Rico to $1,133 in Alaska (Chapter 1 Evaluation and Reporting System). Within States, the Federal contribution per child differs among school districts depending on their size, degree of urban development, and incidence of poverty. Costs tend to be higher for large, highly urban districts with a greater incidence of poverty than for smaller districts with less poverty.

Accomplishments -- Continued

States and school districts often carry over Chapter 1 funds from one school year to the next. Authorized by section 412(a) and (b) of the General Education Provisions Act, this practice enables LEAs to plan their Chapter 1 activities more efficiently and gives stability and continuity to their program operations. Prior to enactment of section 412 grantees often made questionble last minute expenditures at the end of the fiscal year, rather than lapse funds. State reports show that at least $436 million were carried over from the 1983-84 school year into the next year. Some controversy has arisen over the extent of this carryover and the allegation that States and school districts withdraw Chapter 1 funds from the Treasury before they are needed in order to earn interest on funds temporarily deposited in State or local accounts prior to their use. Because this issue has implications on programs other than Chapter 1, the Department is working with the Department of Treasury and the Office of Management and Budget to develop new guidelines and legislation concerning the withdrawal of Federal funds from the Treasury by grantees.

1987 Budget Proposal

The 1987 budget request for Grants to Local Educational Agencies is $3,261,005,000. This is a $198,605,000 increase over the 1986 amount available after sequestering and $61,005,000 over the original 1986 appropriation. The proposed increase results from savings achieved through the proposed migrant education reform which would be redirected to this program. Since formerly migrant children who remain educationally disadvantaged but no longer qualify for the Migrant Education program would remain eligible for compensatory education services under the LEA Grant program, additional funds would enable local school districts to begin providing compensatory education services to these children.

At this level, the Grants to Local Educational Agencies program will remain the primary vehicle for providing compensatory education services to the disadvantaged. Nearly 14,000 school districts, 90 percent of the districts in the United States, will receive Chapter 1 funds again in school year 1987-88.

If the 1987 request level were used to serve between 4.9 and 5.1 million children during the 1987-88 school year, then the Federal contribution per child would range from $639-$665 per child. However, these figures are strictly estimates. Local school districts, not the Federal Government, determine the actual number of children receiving services (and thus the Federal contribution per child) in any given year. In 1983-84 (the last year for which actual data exist), the program served 4.8 million children and the Federal contribution per child averaged $563. (The per child share in that year ranged from $390 to $1,133, depending on the State.) The actual number of children served in any year depends on the type of program supported in each district.

Compensatory Education for the Disadvantaged

1. Grants for the disadvantaged: a. Grants to local educational agencies

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1987 Budget Proposal -- Continued

The Department will also continue its efforts to identify cost-effective, exemplary compensatory education approaches and to disseminate information about them through the Chapter 1 improvement initiative and the Chapter 1 technical assistance centers.

Impact data	1985	1986 after Sequestering	1987
No. of LEAs participating	14,000	14,000	14,000
Estimated No. of students served	4,800,000-5,000,000	4,800,000-5,000,000	4,900,000-5,100,000
Estimated average Federal contribution per child	$640-$667	$612-$639	$639-$665

Compensatory Education for the Disadvantaged

SUPPLEMENTAL FACT SHEET

Chapter 1 - Grants to Local Educational Agencies: Allocation Procedures

Allocation to Outlying Areas and the Bureau of Indian Affairs

The program statute specifies an allocation for the Outlying Areas (Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, the Trust Territory of the Pacific Islands) and the Department of the Interior, Bureau of Indian Affairs (BIA). Of the funds appropriated under Chapter 1 for payments to the States, one percent is authorized to be appropriated to these areas. Because of the enactment of the Compact of Free Association, amounts allocated for the Trust Territory will be made available only for the Republic of Palau. The total set-aside for the Outlying Areas and the BIA will be reduced accordingly and the difference will be distributed to all the entities receiving Chapter 1 funds.

Grants to Local Educational Agencies

Allocations for LEA Grants are computed for States and counties by multiplying the number of children from low-income families by 40 percent of the State's average per pupil expenditure (but not less than 80 percent nor more than 120 percent of the national average) to obtain the authorized entitlement for each State. The children counted include: (1) children in families with incomes below the poverty level (1980 Census, Orshansky data); (2) children in families receiving AFDC payments in excess of the poverty level for a nonfarm family of four (updated annually); (3) neglected or delinquent children residing in institutions which are not State-operated; and (4) foster children supported with public funds. Once the authorized entitlements are calculated, the allocation to each State is ratably reduced to the extent that the amount appropriated is less than full entitlement.

In States where several school districts are located within the same county, the State has the responsibility for making sub-county allocations. They are required only to use the best available data on the number of children from poverty backgrounds for this purpose. They may, for example, use information taken from Census data, AFDC counts, or the school lunch program. . Regardless of any changes in data that may take place, each LEA is guaranteed 85 percent of what it received in the previous year.

This description of the allocation procedure assumes passage of proposed legislation which (1) would permit the Department to use the criteria of poverty associated with the 1980 Census rather than the criteria associated with the 1970 Census; and (2) would delete the requirement that 1975 Survey of Income and Education (SIE) data be used in making allocations.

Compensatory Education for the Disadvantaged

1. Grants for the disadvantaged: b. State agency programs (Public Law 97-35, Education Consolidation and Improvement Act of 1981, as amended, Chapter 1)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$447,310,000	$428,076,000	$385,305,000	-$42,771,000

Purpose and Method of Operation

Grants to State agencies support special educational services to children of migratory agricultural workers and fishermen, handicapped children in State-operated programs (or children who have left such programs and are served by local educational agencies), and neglected and delinquent children in State-supported or State-operated institutions. Funds for these programs are allocated to the States through a formula based on the number of eligible students residing within a State and the State's average per pupil expenditure for education. (The supplemental fact sheet at the end of this activity narrative describes the allocation formulas in more detail.) These programs, like the LEA Grants, are forward funded. The 1987 appropriation will become available on July 1, 1987, and will remain available for obligation until September 30, 1988. The State agencies will use the funds in the 1987-88 school year.

Federal assistance for these programs is provided in recognition of the special educational needs of these children that may not be met through regular education programs provided at the State or local level.

Accomplishments

State Agency Migrant Program -- For the 1985-86 school year, the Migrant Student Record Transfer System (MSRTS) identified 387,943 full-time-equivalent students ages 5 to 17 as eligible to receive Chapter 1 Migrant Education services during the regular school year. About 38 percent of the students counted are currently migratory (that is, they have moved from one school district to another within the past year) and the remainder are formerly migratory. The total number of currently and formerly migrant children counted has decreased since 1983 by about 9 percent. At the same time, an increasing proportion of the migrant population has not moved in a year or more. The proportion of the migrant population counted as formerly migratory rose steadily from 54 percent of the total in 1983 to 62 percent in 1985. (See the supplemental fact sheet for more detail.)

Accomplishments -- Continued

The program serves these children in over 5,000 projects across 49 States, the District of Columbia, and Puerto Rico. (The one State with no projects is Hawaii.)

Data from the 1981 Research Triangle Institute (RTI) study on migrant education indicate that nearly all children (97 percent) participating in the program receive instruction in reading or language arts, while 66 percent receive instruction in mathematics.

About 55 percent of the students served are in elementary school; 30 percent are in secondary school; and 15 percent are in kindergarten or preschool. The majority of migrant students (about 70 percent) are Hispanic (mostly Mexican Americans) while non-Hispanic blacks and whites make up 13 and 17 percent, respectively, of the population served.

Several studies have also shown that a significant number of children who receive Chapter 1 Migrant services are not migratory. The RTI study notes that 46 percent of the students served by the program remain in the same school district for at least one year. A later report released by the General Accounting Office (1983) found that 60 percent of the migrant students in the sample studied were enrolled in only one school district during the period reviewed, which averaged 4.3 years. In addition to showing that most of the students counted for the 1985-86 school year allocation are formerly migratory students who did not move in the previous year, MSRTS data indicate that as many as 43 percent of all migrant children have remained in the same school system for at least 3 consecutive years.

Currently operated under a $4.5 million contract by the Arkansas State Department of Education, MSRTS has provided the program with data since 1975 on migrant student enrollment needed to make State allocations. MSRTS has also provided local educational agencies with a centralized source of school and health records on migrant students who have moved into their district.

State Agency Handicapped Program — This program provided funds to about 135 State agencies serving 249,656 children in school year 1984-85. The percent of a State's total handicapped population served through this program varies across the Nation, ranging from 54 percent in the District of Columbia, to 24.4 percent in Delaware, to less than one percent in California and Minnesota. Approximately 38 percent of the children served

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Accomplishments -- Continued

are mentally retarded, 17 percent are emotionally disturbed, 9 percent are hearing impaired, 9 percent are learning disabled, 8 percent are speech impaired, and 4 percent are visually handicapped. The remainder are classified under other handicapping categories.

The trend within this program has been to shift the responsibility for serving children from State to local settings. Since 1975, an amendment to the program statute authorizes funds to "follow" a child who leaves a State-operated or State-supported program and enters a locally operated program. As a result, the number of children supported by the Chapter 1 Handicapped program at the local school district level has grown since 1979 from 25,000 to about 49,600 in 1983, or about 20 percent of the total population served.

The Chapter 1 Handicapped program has been in operation since 1966, predating the Education for the Handicapped Act (EHA) program by 10 years. Although the two programs provide the same type of services, the Federal share per student is much higher under Chapter 1. In 1985, the Chapter 1 Handicapped program was expected to serve 249,656 children at an average contribution per child of $602, while EHA served 4,124,000 children at $275 per child.

State Agency Neglected and Delinquent Program -- This program provided funds in the 1983-84 school year to approximately 125 agencies within States that are directly responsible for providing free public education to almost 48,000 neglected and delinquent children under 21 in 700 State-operated or State-supported institutions. Most of the students served in the program are young adults or juvenile offenders, not neglected children. About 10 percent of these students are in institutions operated for the care of neglected children, 50 percent are in institutions for delinquents, and 40 percent are in adult correctional facilities.

During the 1983-84 school year, roughly 67 percent of the participating students receive reading instruction while 62 percent receive remedial mathematics instruction. In addition to these two major academic areas, neglected and delinquent students receive instruction in other areas such as language arts (18 percent), English for limited English proficient students (11 percent) and vocational education (9 percent). The States also use program funds for other types of activities, such as guidance and counseling and psychological services (Chapter 1 Evaluation and Reporting System data, 1983-84).

Most of the students do not stay in State facilities very long. A 1977 study of this program found that many of the participating students (40 percent) were in State facilities for less than six months (System Development Corporation). This situation is probably still true now. The short

Accomplishments -- Continued

period of participation raises a question about whether the program can have much effect. This concern will be addressed in a small case study project currently underway and also in a national assessment planned to begin in 1987 with Chapter 1 Evaluation and Technical Assistance funds.

1987 Budget Proposal

For State Agency Programs, the 1987 request totals $385,305,000. This is a net decrease of $42,771,000 from the 1986 level. Within that total, $202,519,000 will support the State Agency Migrant program, $150,170,000 will fund the State Agency Handicapped program, and $32,616,000 will support the State Agency Neglected and Delinquent program.

State Agency Migrant Program -- Of the $202,519,000 requested for the Chapter 1 Migrant program, $5,000,000 will support the Migrant Student Record Transfer System (MSRTS) and the remaining $197,519,000 will support compensatory education activities provided by the States. The 1987 request represents a decrease of $50,630,000 from the 1986 amount available after the sequester and reflects a proposed legislative change to shorten the length of time a child may be eligible to receive services as a "formerly migrant" child.

The proposed legislative change would reduce from five to two years the time a formerly migrant child can be deemed migratory for purposes of allocating funds and receiving services under the Chapter 1 Migrant program. This proposal would be phased in over two years. Under the existing law, migrant children are counted for allocation purposes and are eligible to receive services for five years after they initially migrate even though they have not moved during that time.

The budget request and the proposed legislative change are supported by data which show that a significant number of children served by this program are no longer migratory. These findings raise serious questions about whether children who do not migrate have a legitimate claim for services provided under the Migrant program and whether limited Chapter 1 Migrant funds should continue to be spent on these children. The proposed 1987 policy will enable the Department to focus program funds on those who have a real need for services that are designed for migrant children.

The Department estimates that almost 312,000 children (including the summer adjustment) would continue to be eligible for the Chapter 1 Migrant program in 1987 under the proposed legislative change. Under the reform, an estimated 56 percent of the students counted for allocation purposes would be formerly migratory students in their first, second, and third year of eligibility. The 1987 request would provide at least the same level of Federal support per child for children who are currently migratory or are in their

1987 Budget Proposal -- Continued

first, second, or third year of eligibility for services as formerly migratory children as would be provided under the fiscal year 1986 appropriation.

In the following year, only children who are currently migratory or in their first or second year of formerly migratory status would be eligible under this program. Those children who are no longer eligible but are still educationally disadvantaged would continue to be eligible for compensatory education services under the expanded Chapter 1 LEA Grant program.

Finally, legislation is proposed to eliminate the minimum set-aside of $6,000,000 for migrant coordination activities which has been used to support the Migrant Student Record Transfer System and inter- and intra-State coordination projects. The amendment will permit funding of the Migrant Student Record Transfer System at $5,000,000, which is sufficient for its activities, and would eliminate funding for inter- and intra-State coordination activities. States already coordinate their migrant education activities with those in other States as a condition for receiving funds and may use program funds for that purpose. Additional Federal funding for this activity is not justified.

State Agency Handicapped Program -- The 1987 budget request for this program is $150,170,000, which is $6,457,000 greater than the amount available for 1986 after the sequester, but the same as the 1986 enacted appropriation and the 1985 level.

At this level, the program is expected to serve about 254,200 eligible children with a Federal contribution per child of roughly $591. No change in program or budget policy is proposed for 1987. Better data on program operations and impact are needed before proposing changes. The Department will complete a small-scale study of the program's operation in 1986 and plans to begin a national study in 1987.

State Agency Neglected and Delinquent Program -- The 1987 budget request for this program is $32,616,000, $1,402,000 more than the 1986 amount available after the sequester but the same as the 1986 enacted appropriation and the 1985 level.

At this level the program expects to serve about 47,600 eligible students with an average Federal contribution of $685 per child. Because recent data are not available on the program's operations and impact, no policy changes are proposed for 1987. A national study of the Neglected and Delinquent program is planned to begin in 1987. Information gained from that study would be used as the basis for proposing any future policy changes.

Compensatory Education for the Disadvantaged

1. Grants for the disadvantaged: b. State agency programs

Impact data	1985	1986 after Sequestering	1987
Migrant education			
Grants to SEAs	$257,458,400	$246,387,000	$197,519,000
Coordination activities:			
MSRTS	$5,000,000	$4,785,000	$5,000,000
Inter and intra-State coordination projects	$2,065,600	$1,977,000	---
Subtotal	$7,065,600	$6,762,000	$5,000,000
Total	$264,524,000	$253,149,000	$202,519,000
No. of FTE students counted 1/	418,755	407,005	312,036
Average Federal contribution per student	$615	$605	$633
Handicapped	$150,170,000	$143,713,000	$150,170,000
No. of students eligible 2/	249,656	251,900	254,250
Average Federal contribution per child	$602	$571	$591
Neglected and delinquent	$32,616,000	$31,214,000	$32,616,000
No. of students eligible	47,600	47,600	47,600
Average Federal contribution per child	$685	$656	$685
Total number of students in State agency programs	716,011	706,505	613,886

1/ Takes into account the program's summer adjustment.

2/ Under the handicapped program, all children counted must be served. Thus the only number that can vary is the average Federal contribution per child.

Compensatory Education for the Disadvantaged

SUPPLEMENTAL FACT SHEET

Chapter 1 - Grants to State Agencies: Allocation Procedures

Programs for Migrant Children

The formula to determine a State's allocation under the Chapter 1 Migrant program provides that the full-time equivalent number of migratory children ages 5-17 residing in each State (as determined by the Migrant Student Record Transfer System) be multiplied by 40 percent of the State's average per pupil expenditure (but not less than 80 percent nor more than 120 percent of the national average per pupil expenditure) to obtain a State's authorized entitlement. The statute allows the full-time equivalent number to be adjusted to compensate educational agencies for the increased costs of providing services to migrant students during the summer months. Once the authorized entitlements are calculated, the allocations to the States are ratably reduced to the extent that the amount appropriated for the program is less than full entitlement.

Programs for Handicapped Children

The allocation for each State under the program for handicapped children is determined by the following formula: the average daily attendance (that is, the number of eligible handicapped children on the membership rolls of State-operated or State-supported schools and the number of children who have left such schools and are participating in local educational agency programs) is multiplied by 40 percent of the State's average per pupil expenditure (but not less than 80 percent nor more than 120 percent of the national average per pupil expenditure) to obtain a State's authorized entitlement. Once the authorized entitlements are calculated, the allocations to the States are ratably reduced to the extent that the amount appropriated for the program is less than full entitlement.

Programs for Neglected and Delinquent Children

The formula to determine each State's allocation under the Neglected and Delinquent Children program specifies that the average daily attendance in State schools is multiplied by 40 percent of the State's average per pupil expenditure (but not less than 80 percent nor more than 120 percent of the national average per pupil expenditure) to obtain a State's authorized entitlement. Once the authorized entitlements are calculated, the allocation to each State is ratably reduced to the extent that the amount appropriated for the program is less than full entitlement.

Compensatory Education for the Disadvantaged

SUPPLEMENTAL FACT SHEET

Number and Percent of Children Eligible to Participate in the Migrant Education Program, 1983-1986

	1983 Actual		1984 Actual		1985 Actual		1986 Estimate	
	Number	Per.	Number	Per.	Number	Per.	Number	Per.
Number of students (FTEs):								
Curr. migrant....	193,957	45%	165,025	40%	145,572	38%	134,654	36%
Formerly migrant:								
1st and 2nd year	111,730	26%	129,696	32%	75,630	19%	107,131	28%
3rd year.........	51,210	12%	50,836	13%	49,317	13%	51,179	14%
4th and 5th year	69,832	17%	62,092	15%	117,424	30%	84,061	22%
Subtotal.....	232,772	55%	242,624	60%	242,371	62%	242,371	64%
Subtotal..........	426,729	100%	407,649	100%	387,943	100%	377,025	100%
Summer adj.*......	32,588		31,968		30,812		29,980	
Total.............	459,317		439,617		418,755		407,005	

* This figure takes into account the added costs of operating summer programs for migrant students and is expressed in terms of FTE students.

(Source: The Migrant Student Transfer System -- MSRTS)

Compensatory Education for the Disadvantaged

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1. Grants for the disadvantaged: c. State administration (Public Law 97-35, Education Consolidation and Improvement Act of 1981, as amended, Chapter 1)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$35,607,000	$34,076,000	$35,607,000	+$1,531,000

Purpose and Method of Operation

Funds provided by this activity enable State educational agencies to meet their administrative responsibilities under the Chapter 1 LEA program and the State agency programs. The statute provides that each State shall receive up to one percent of the amount allocated for its Chapter 1 programs, with no State receiving less than $225,000 ($50,000 in the case of the Outlying Areas). The program is forward funded. Funds appropriated for fiscal year 1987 will become available for obligation on July 1, 1987 and remain availble through September 30, 1988.

Accomplishments

In fiscal year 1985, the Department distributed about $35 million to the States and Outlying Areas for administrative purposes. State educational agencies used these funds for allocating Chapter 1 funds to local educational agencies, monitoring Chapter 1 programs, and reviewing reports to ensure LEA compliance with legal requirements such as comparability, supplement not supplant, and maintenance of effort. They also used funds to supply technical assistance to local educational agencies for improving program quality, establishing parent involvement at the project level, providing comparable services to nonpublic school children, establishing performance objectives, and evaluating Chapter 1 programs. Finally, the States used administration funds to establish and maintain systems for the proper control and disbursement of Chapter 1 funds and the audit of local Chapter 1 programs.

Evaluation data indicate that most States concentrate their Chapter 1 administrative efforts more on monitoring and compliance activities than on providing technical assistance. Preliminary information on State decisionmaking indicates that most States appear reluctant to modify their pre-Chapter 1 administrative procedures for fear that the program requirements will in time be tightened and Federal auditors will then disallow certain expenditures. Even without the concern that more stringent requirements

Compensatory Education for the Disadvantaged

1. Grants for the disadvantaged: c. State administration

Accomplishments -- Continued

may be imposed in the future, evaluations suggest that State administrative procedures will probably change only gradually in response to implementation of Chapter 1 (School Finance Study, 1983).

State reviews conducted by the Department during fiscal year 1985 confirm that most States administer the Chapter 1 program in much the same manner as they administered Title I. These visits further showed that:

- Local Chapter 1 programs are generally in compliance with Chapter 1 requirements.
- Most States have developed comprehensive guidelines for use by local school districts in administering Chapter 1.
- State educational agencies provide assistance to their LEAs on a wide range of topics designed to improve their programs, and most SEAs have developed and implemented effective procedures for onsite monitoring of their LEA programs.

1987 Budget Proposal

The 1987 budget request of $35,607,000 for State Administration is $1,531,000 more than the 1986 amount available after the sequester, but the same as the 1986 enacted appropriation and the 1985 level.

The 1987 request will maintain a cap on the amount set aside for Chapter 1 administration. Under the 1987 request, each State agency again would receive an amount that is proportionate to its total State Chapter 1 allocation but not less than $225,000. The Outlying Areas of Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Republic of Palau would receive a minimum of $50,000 each.

Impact data	1985	1986 after Sequestering	1987
No. of States served (includes D.C. and Puerto Rico)	52	52	52
No. of Outlying Areas served	5	5	5
Average award	$625,000	$598,000	$625,000
Maximum award	$3,517,800	$3,349,500	$3,501,900

2. Evaluation and technical assistance
(Public Law 97-35, Education Consolidation and Improvement Act of 1981, as amended, Chapter 1)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$5,246,000	$5,020,000	$6,246,000	+$1,226,000

Purpose and Method of Operation

Funds for Evaluation and Technical Assistance enable the Department to conduct studies on program effectiveness, support regional technical assistance centers that aid State educational agencies (SEAs) and local school districts in evaluating their own Chapter 1 programs, and assist States in improving program quality at the local level. Beginning in 1986 this activity was current funded.

Accomplishments

Evaluation funds supported three types of activities in fiscal year 1985 — the technical assistance centers, evaluations of program effectiveness, and the Chapter 1 program improvement initiative.

Technical Assistance — The four regional technical assistance centers (TACs) trained State and local officials in collecting and reporting evaluation data and using these data to improve their compensatory education programs. Each Center is staffed by research and evaluation experts who provide services to State and local school district personnel through workshops, onsite consultations, telephone calls, and correspondence.

The TAC system further maintains a central test information center and a materials clearinghouse. The test information center compiles, maintains, and disseminates information about characteristics of tests used for evaluation. It also verifies the correctness of all test information disseminated by publishers to States and school districts. The TAC clearinghouse contains computerized information on about 300 Chapter 1 related workshops conducted in the past and over 1,000 research and evaluation studies and provides search and document delivery services upon request to State and local educational agencies and the Department.

The Centers also help review, validate, and edit the information submitted to the Department through the Chapter 1 Evaluation and Reporting System. These State reports provide a summary of the compensatory education services offered and the educational impact of those services.

Accomplishments -- Continued

During school year 1984-85, the TACs provided assistance to all SEAs, through more than 3,557 workshops and onsite consultations as well as through numerous telephones calls and correspondence. An examination of TAC services shows that:

- Almost one-fourth of their workshops and consultations focused on training SEA and LEA personnel to measure and evaluate local program effectiveness.
- Around 21 percent focused on program improvement activities such as helping local projects to obtain Joint Dissemination Review Panel validation, assisting State and local officials in applying the findings of effective schools and program improvement research to their projects, and helping States respond to the Chapter 1 program improvement initiative.
- About 18 percent of their activities addressed testing issues such as test planning, test selection, score conversions, and test norming.
- Approximately 6 percent of their services centered on providing assistance to SEAs and LEAs in using microcomputers in evaluation procedures and reporting data.
- The remaining areas of activity centered on helping State and local education officials enhance their ability to report and use evaluation results, improve their effectiveness in collecting data, and use those data for project planning.

During the 1985-86 school year, the TACs are devoting about 50 percent of their resources to helping SEAs and LEAs examine and implement strategies for program improvement by:

- assisting local school districts to analyze and improve project management and instructional services;
- helping LEAs prepare submissions for the Department's Chapter 1 exemplary project recognition program; and
- developing a compensatory education source book that summarizes research findings about effective instructional practices and identifies the attributes of projects recognized last year in the Department's exemplary project identification program.

In addition, the TACs have completed several small scale analyses that examined the sustained achievement of compensatory education students, the use of computers in Chapter 1, and State evaluation data on the migrant education program.

Accomplishments -- Continued

A 1982 study assessing the Title I Evaluation and Reporting System and the Technical Assistance Centers (Reisner, Atkin, Boruch *et al.*) found widespread satisfaction among State educational agencies with the TACs. Most SEA respondents see a continuing need for TAC services and want to see the centers maintained. The study further notes a general improvement in the evaluation practices at the LEA and SEA levels and attributes much of that improvement to the Title I Evaluation and Reporting System and the work of the TACs.

Recent data show that in spite of decreases in Federal funding in past years, the TACs have maintained their hourly cost of providing professional services in the $68 to $71 range during this period by conducting an increasing share of their work over the telephone and through correspondence.

Evaluations — In response to the Congressional mandate established in Section 22 of P.L. 98-211, the ECIA Technical Amendments of 1983, the Department is conducting the national assessment of compensatory education services and expects to complete this study in early 1987. Chapter 1's contribution to the study will total $3,376,000 through fiscal year 1986. The study is also supported with funds from the Chapter 2 Secretary's Disretionary Fund and the National Institute of Education.

The assessment, which will consist of a series of studies, will be summarized in three major reports to Congress. Those reports will examine the nature and extent of students' need for compensatory education services, the size and variability of program effects, and current program operations and prospects for improvement.

In addition to the Chapter 1 mandated study, the Department will complete a limited ($234,000) study of the Chapter 1 Handicapped program in early 1986. Designed as a case study, this evaluation will provide descriptive information on the program, identify factors associated with the variance among States in the proportion of handicapped children served under Chapter 1, and explore the feasibility of conducting a larger national study. Such a national study would begin in 1987 and provide the basis for making future budget and program policy decisions.

In 1985, the Department also began a small-scale study of the Neglected and Delinquent program which is expected to be completed in mid-1986. Designed as a case study, this evaluation will update information on such topics as the types of services provided, a description of the participants, the average length of student participation, coordination with other programs, and the availability of transition services.

Chapter 1 Initiative to Improve Program Quality — Begun in 1983, the Department has continued this effort through 1985. In 1985, the initiative had three elements:

Compensatory Education for the Disadvantaged

2. Evaluation and technical assistance

Accomplishments -- Continued

1. Technical assistance: The Chapter 1 Technical Assistance Centers helped States to: (1) identify, validate, and disseminate information about successful Chapter 1 projects and practices; and (2) implement program improvement strategies.

2. Dissemination: A source book containing information from the research and evaluation literature about what makes compensatory education programs effective and identifying key elements of exemplary projects was prepared and distributed for use by States and local school districts.

3. National recognition: The exemplary Chapter 1 recognition program, was continued in 1985 to give national exposure to school districts that operated successful Chapter 1 projects .

1987 Budget Proposal

The 1987 budget request for Evaluation and Technical Assistance is $6,246,000, $1,226,000 more than the 1986 amount available after the 1986 sequester and $1,000,000 more than the 1986 appropriated level. The proposed increase will enable the Department to begin national studies of the Chapter 1 State agency programs.

About $2,300,000 of this request will support the initial phases of three major studies that will examine respectively, the State Agency Migrant, Handicapped, and Neglected and Delinquent programs. Evaluation data for these programs are either old or non-existent. These evaluations would provide descriptive information on program operations and examine program impact and effectiveness. The Department expects to have preliminary information available from these studies in late 1988 for use in developing program and budget policy.

About $3,800,000 will support four regional technical assistance centers. These Centers will continue to aid State and local school districts in the areas of evaluation and program improvement as well as assist State and local officials in preparing information for the Department onat program operations and educational outcomes. About 50 percent of TAC resources will again support program improvement activities. Their efforts in this area will focus on: (1) those projects with some evidence of effectiveness that are interested in submitting their results to the Joint Dissemination Review Panel or gaining recognition under the Secretary's Initiative and (2) projects that are in need of assistance to upgrade their performance.

1987 Budget Proposal -- Continued

The remaining $146,000 will:

- provide continued support for the Chapter 1 program improvement initiative through the recognition program and the source book on exemplary Chapter 1 projects; and
- support the review, editing, and analysis or 1983-84 State Chapter 1 participation and achievement data submitted through the Chapter 1 Evaluation and Reporting System.

The Department again requests that funds for Evaluation and Technical Assistance become available immediately upon enactment of the fiscal year 1987 appropriation. This pattern of availability enables the Department to begin important evaluation activities, like the proposed of the State agency program evaluations, sooner in the fiscal year.

Impact data	1985	1986 after Sequestering	1987
Technical Assistance Centers	$3,600,000	$3,574,000	$3,800,000
No. of Centers	4	4	4
No. LEAs served	3,500	3,500	3,500
No. of SEAs served (includes D.C. Puerto Rico, and Outlying Areas)	57	57	57
Chpater 1 Grants to LEAs mandated study	$1,500,000	$1,100,000	---
State agency program studies	---	$200,000	$2,300,000
Other activities:			
Exemplary project initiative	$100,000	$100,000	$100,000
Data analysis	$46,000	$46,000	$46,000

Compensatory Education for the Disadvantaged

Chapter 1 Grants for the Disadvantaged 1/

State or Outlying Area	1985 Appropriation for 1986	1986 Appropriation for 1987	1987 Appropriation for 1988
TOTAL	$3,688,163,000	$3,529,572,000 2/	$3,688,163,000
Alabama	68,697,605	65,883,278	69,283,187
Alaska	9,294,740	8,929,304	8,949,098
Arizona	40,169,557	38,822,358	39,669,619
Arkansas	44,292,900	42,295,439	44,068,464
California	367,163,000	366,181,232	370,603,030
Colorado	36,628,113	34,532,683	36,043,177
Connecticut	41,595,239	39,774,704	41,566,272
Delaware	12,682,853	12,446,254	12,950,410
Florida	158,603,906	154,443,962	159,377,124
Georgia	90,897,156	86,818,638	91,720,252
Hawaii	11,489,288	10,522,738	11,156,579
Idaho	13,367,362	12,844,286	12,704,232
Illinois	181,149,332	170,773,389	180,958,332
Indiana	51,905,723	51,993,616	55,112,492
Iowa	30,213,528	28,326,158	30,102,267
Kansas	26,802,721	25,536,110	26,539,209
Kentucky	61,318,411	58,528,816	61,710,238
Louisiana	96,706,270	83,596,699	87,373,730
Maine	17,242,884	16,766,565	17,164,603
Maryland	57,969,704	56,478,318	60,137,662
Massachusetts	89,443,124	84,131,937	88,121,195
Michigan	144,434,153	139,401,337	146,433,320
Minnesota	41,139,233	40,043,624	42,450,561
Mississippi	64,083,059	61,235,579	64,514,244
Missouri	53,554,930	52,862,438	56,077,453
Montana	11,386,111	11,072,507	11,748,241
Nebraska	17,648,085	16,801,424	17,803,680
Nevada	7,225,776	6,546,027	6,864,726
New Hampshire	8,633,553	8,276,822	8,795,000
New Jersey	114,599,880	109,504,219	115,968,135
New Mexico	30,202,104	26,959,137	28,229,433
New York	376,176,304	360,020,011	380,886,613
North Carolina	83,114,961	79,153,612	83,454,298
North Dakota	8,603,380	8,178,462	8,539,593
Ohio	119,722,082	117,997,944	125,362,276

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Compensatory Education for the Disadvantaged

Chapter 1 Grants for the Disadvantaged[1]

State or Outlying Area	1985 Appropriation for 1986	1986 Appropriation for 1987	1987 Appropriation for 1988
Total	$3,688,163,000	$3,529,572,000[2]	$3,688,163,000
Oklahoma	41,417,574	37,790,269	39,813,290
Oregon	40,497,385	37,738,205	38,464,153
Pennsylvania	169,969,661	164,830,357	175,162,685
Rhode Island	13,159,801	12,583,271	13,340,063
South Carolina	51,546,694	49,230,321	52,306,143
South Dakota	10,238,551	9,789,453	10,335,603
Tennessee	69,536,977	66,246,718	70,699,794
Texas	293,392,841	265,549,022	268,033,045
Utah	12,814,606	12,296,254	12,840,198
Vermont	9,175,246	8,330,817	8,783,121
Virginia	63,409,660	61,706,088	65,666,384
Washington	55,555,134	53,311,434	53,944,672
West Virginia	31,556,829	29,430,092	31,287,672
Wisconsin	53,315,102	50,861,421	54,025,136
Wyoming	5,535,324	5,292,596	5,547,609
District of Columbia	17,976,819	17,229,767	18,207,610
Puerto Rico	111,517,540	112,406,981	118,939,826
American Samoa	1,806,623	1,719,341	1,794,849
Guam	2,049,231	1,963,273	2,049,774
Northern Marianas	932,945	895,192	933,381
Trust Territory	5,388,820	5,203,808 [3]	5,436,957 [4]
Virgin Islands	3,676,909	3,523,425	3,680,537
Bureau of Indian Affairs	23,224,101	22,182,268	23,185,753
Undistributed			
Undistributed funds:			
Migrant Coordination	7,065,600	6,762,000	5,000,000
Evaluation and Technical Assistance	5,246,000	5,020,000	6,246,000

1/ One percent of the amount available to the States is set aside for the Outlying Areas and the Bureau of Indian Affairs. The amounts appropriated for the LEA Grant program and the State agency programs are distributed based on the number of eligible students and each State's per pupil expenditure. the amount set aside for State administration is distributed based on each State's proportion of its total State Chapter 1 allocation but not less than $225,000. The Outlying Areas would receive a minimum of $50,000 each.

2/ Reflects a reduction of $158,591,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

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Chapter 1 Grants for the Disadvantaged[1]

[3] At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986; in 1987, funds will be reallocated among other recipients.

[4] Upon enactment of the Compact of Free Association for Palau, amounts appropriated for assistance to Palau shall not be available.

WEDNESDAY, APRIL 9, 1986.

SPECIAL PROGRAMS

WITNESSES

LAWRENCE F. DAVENPORT, ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

LOIS A. BOWMAN, DEPUTY ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

LAWRENCE L. BROWN, III, DIRECTOR, DIVISION OF ELEMENTARY, SECONDARY AND VOCATIONAL ANALYSIS, OFFICE OF PLANNING, BUDGET AND EVALUATION

CAROL CICHOWSKI, DIRECTOR, DIVISION OF SPECIAL EDUCATION, REHABILITATION AND RESEARCH ANALYSIS, OFFICE OF PLANNING, BUDGET AND EVALUATION

Mr. NATCHER. At this time, we take up Special Programs. We have before the committee Dr. Lawrence F. Davenport. Before taking up this particular part of the hearings, tell us who you have with you at the table there.

Mr. DAVENPORT. Mr. Chairman, to my right, Lawrence Brown, III, Director, Division of Elementary, Secondary, and Vocational Analysis, Office of Planning, Budget and Evaluation; and Carol Cichowski, Director, Division of Special Education, Rehabilitation and Research Analysis, Office of Planning, Budget and Evaluation; and to my left is Lois Bowman, Deputy Assistant Secretary for Elementary and Secondary Education.

Mr. NATCHER. Glad to have all of you before the committee.

Dr. Davenport, you may proceed.

OPENING STATEMENT

Mr. DAVENPORT. Mr. Chairman, if my full statement could be placed in the record, I will summarize my statement at this time.

Mr. NATCHER. That will be fine.

Mr. DAVENPORT. Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you to present the fiscal year 1987 budget request for the Special Programs account. The request for this account totals $678.9 million, an increase of $41.9 million over the revised request level, and $4.1 million over the 1986 post-sequester level.

The Special Programs account includes two State formula grant programs supporting State and local educational improvement activities and several discretionary grant programs designed to give Federal assistance in areas of national concern or to address needs of particular segments of the population.

For 1987, the budget request is focused on those programs which support national, State, and local efforts at educational improvement.

The three major programs in this account, Chapter 2 of the Education Consolidation and Improvement Act, a new Teacher Training and Improvement Initiative, and the Magnet Schools Assistance program, support such efforts.

Therefore, in order to reflect the importance which the administration places on Federal support for educational improvement, these three activities would receive a $58 million increase over the revised 1986 levels for the same or antecedent authorities.

Our budget also proposes termination of direct Federal support for a number of categorical programs that have either outlived their usefulness, are eligible for funding from other sources, or do not reflect an appropriate Federal role in education.

My colleagues and I will be happy to respond to any questions you have.

[The statement of Mr. Davenport follows:]

DEPARTMENT OF EDUCATION

Statement by the Assistant Secretary for Elementary and Secondary Education on Special Programs

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to appear before you to present the fiscal year 1987 budget request for the Special Programs account. The request for this account totals $678.9 million, an increase of $41.9 million over the revised level.

The Special Programs account includes two State formula grant programs supporting State and local educational improvement activities and several discretionary grant programs designed to give Federal assistance in areas of national concern or to address needs of particular segments of the population. For 1987, the budget request is focused on those programs which support national, State, and local efforts at educational improvement.

The three major programs in this account -- Chapter 2 of the Education Consolidation and Improvement Act, a new Teacher Training and Improvement Initiative, and the Magnet Schools Assistance program -- support such efforts. Therefore, in order to reflect the importance which the Administration places on Federal support for educational improvement, these three activities would receive a $58 million (9 percent) increase over the revised 1986 levels for the same or antecedent authorities.

Our budget also proposes termination of direct Federal support for a number of categorical programs that have either outlived their usefulness, are eligible for funding from other sources, or do not reflect an appropriate Federal role in education.

Chapter 2 of the Education Consolidation and Improvement Act

Our request for Chapter 2 of the ECIA totals $528.9 million. Most of these funds flow directly to State governments and local school districts where they may be used to respond directly to State and local needs. At the same time, Chapter 2 provides for a limited set-aside of discretionary funds to be used by the Secretary to address broad national priorities.

State Block Grants

The Chapter 2 Block Grant continues to be a high Administration priority. The 1987 budget request would raise funding for the Block Grant by $21.5 million to the 1986 appropriation level of $500 million.

This program provides aid to States to improve the quality of elementary and secondary education for children in public and and private schools. Its focus is upon general excellence in education, rather than federally prescribed categorical activities.

For State and local educational agencies, Block Grant money represents a flexible, unencumbered resource which can be used in such critical areas as updating and improving curriculum materials, developing new programs for the gifted and talented, and meeting the costs of school desegregation. As such, the program is an ideal vehicle for State and local implementation of reforms such as those recommended by the National Commission on Excellence in Education. The requested level will permit continuation of educational reform efforts underway at the State and local levels.

Secretary's Discretionary Fund

The budget request for 1987 proposes to increase the Secretary's Discretionary Fund by $1.2 million to its 1986 appropriation level of $28.9 million. These funds will be used by the Secretary of Education for Federal-level activities that assist State and local educational agencies in improving elementary and secondary school programs. The activities address national priorities and include both congressionally mandated areas of concern and special initiatives in areas where Federal participation is appropriate. At present the Department estimates that it will fund all of the mandated activities -- Inexpensive Book Distribution, Arts in Education, Alcohol and Drug Abuse Education, and Law-Related Education -- at their 1986 appropriation levels. However, the Department continues to support legislation submitted in 1985 which would eliminate the minimum funding levels for the mandated programs, thereby giving the Secretary greater flexibility over the use of discretionary resources. Funds will also be available for the National Diffusion Network and for special initiatives.

Teacher Training and Improvement

The proposed Teacher Training and Improvement Act is one of the Department's most important initiatives for 1987. This legislation would amend the existing Science and Mathematics Education program so that funds could be used to improve teaching in all subject areas and so that the program would be more flexible and less administratively cumbersome at all levels. This new activity would also replace two redundant categorical programs: Territorial Teacher Training and Leadership in Educational Administration. For 1987, $75 million is requested for the new Teacher Training and Improvement program. This is a 44 percent increase over the 1986 postsequestration levels for the three antecedent programs. Of this amount, 80 percent would be used for State grants and 20 percent for discretionary projects at the national level.

State Grants

For the Teacher Training and Improvement State Grants program, we are requesting $60 million in 1987. This would be a $20.8 million (53 percent) increase over the amount that States will receive for Science and Mathematics in 1986.

Under our proposal each State would be required to pass through at least 90 percent of its grant to eligible recipients such as local educational agencies, institutions of higher education, and cultural institutions. Up to 5 percent of the grant could be used for State administration; any remaining funds retained at the State level would be used for special State-initiated projects.

Funds will be used for such activities as inservice education for teachers and administrators; retraining of teachers who wish to move into new subject areas; and programs to attract qualified persons from outside the profession into teaching. States would be required to fund projects carried out by a broad range of service providers and to give priority to activities that would improve the teaching of English, math, the natural and physical sciences, the humanities (including foreign languages), and other academic subjects. The $60 million proposed for State grants in 1987 will permit commencement of important teacher training and improvement initiatives in all the States and Outlying Areas as well as the Bureau of Indian Affairs schools.

Secretary's Discretionary Fund

In fiscal year 1987, $15 million is requested for this program to support nationally significant projects of reserach, development, testing, demonstration, data collection, and dissemination. Such projects might include summer institutes for advanced study by teachers and administrators; development of industry-education exchange programs; and grants to institutions of higher education to develop and test innovative teacher education programs.

Some teacher training discretionary funds would also be used to continue the new initiative, honoring Christa McAuliffe, to improve the competence of teachers in science and mathematics.

Magnet Schools Assistance

For 1987, the budget proposes to increase funding for Magnet School Assistance by $3.2 million to the 1986 appropriation level of $75 million. These funds would be used for the first year of awards made under a new grant competition.

The Magnet Schools Assistance program authorizes grants to local educational agencies for use in magnet school progams that are part of desegregation plans approved by courts or the Department's Office for Civil Rights. Funds may be used for conducting academic and vocational programs, including planning and promotional acitivities, teachers' salaries, and the purchase of books, materials, and equipment. Activities must be related to improving students' knowledge of math, science, history, English, foreign languages, art, or music, or improving their vocational skills.

A 1983 report completed for the Department by Lowry and Associates found that magnet schools can be an effective means of achieving voluntary desegregation, improving educational quality, and increasing the choices available to students. We believe that these findings justify continued funding for Magnet Schools Assistance at the increased level of $75 million.

The Magnet Schools Assistance program should not be considered a vehicle for long-term support of school districts that operate magnet schools, but should be used to spur the development and expansion of the important magnet school concept.

Terminations and Rescissions

The Special Programs account also includes a number of categorical programs that duplicate other activities and in some cases are not well designed to meet their objectives. These programs generally address narrow fedeerally perceived priorities which may not be relevant to State and local needs. Furthermore, the programs impose costly administrative and paperwork burdens on State and local schools. These activities include Excellence in Education, Women's Educational Equity, Training and Advisory Services, General Assistance to the Virgin Islands, Ellender Fellowships, and Follow Through, as well as Territorial Teacher Training and Leadership in Educational Administration. The budget proposes to terminate direct Federal support for all of these activities, except Training and Advisory Services, through a 1986 rescission of all funds remaining after sequester. For Training and Advisory Services, the budget would rescind $7 million in 1986 and would provide no funding in 1987.

My colleagues and I will be happy to respond to any questions you may have.

DEPARTMENT OF EDUCATION

Office of Elementary and Secondary Education

Biographical Sketch

NAME : Lawrence F. Davenport

POSITION : Assistant Secretary for Elementary and Secondary Education

BIRTHPLACE AND DATE : Lansing, Michigan, October 13, 1944

EDUCATION : Michigan State University, 1966, B.A.
Michigan State University, 1968, M.A.
Fairleigh Dickinson University, 1975, Ed.D.

EXPERIENCE

PRESENT : Assistant Secretary for Elementary and Secondary Education

1981-1982 : Associate Director for Domestic and Anti-Poverty Operations, ACTION
1979-1981 : Provost, San Diego Community College District
1974-1979 : President, San Diego Community College Educational Cultural Complex
1972-1974 : Vice President for Development, Tuskegee Institute
1972-1972 : Assistant Dean for Special Projects, the University of Michigan-Flint
1969-1972 : Director of Special Projects, the University of Michigan-Flint
1968-1969 : Assistant Director of Student Activities, Lansing Community College

PROPOSED RESCISSIONS

Mr. **Natcher**. Thank you, Dr. Davenport.

For 1986, you are proposing rescissions for eight separate programs totaling $37,782,000. These rescissions are about to expire, as you know. For the record, describe the schedule and actions planned to obligate these funds during the balance of the fiscal year.

Place that in the record for us, please.

Mr. **Davenport**. Yes, Mr. Chairman.

[The information follows:]

Schedule for Obligation

All of the programs that were proposed for rescission have been announced in the Federal Register as being available for obligation. All awards for the Territorial Teacher Training, Women's Educational Equity, Training and Advisory Services, General Assistance to the Virgin Islands, Follow Through and Leadership in Educational Administration (LEAD) programs will be made by September 30, 1986. Funds for Ellender Fellowships will be made by September 30, 1987. Awards for the Excellence in Education program will be made during the 1986–87 school year.

IMPACT OF THE SEQUESTRATION

Mr. **Natcher**. For 1986, an amount of $30,320,000 is being sequestered under this appropriation. Was this reduction applied uniformly among all the programs and projects under this account?

Mr. **Davenport**. All the programs in the Federal budget were reviewed in order to determine which rescissions were necessary to achieve budget targets.

Mr. **Natcher**. I am asking you about sequestering.

Mr. **Davenport**. 4.3 percent across the board.

Mr. **Natcher**. Under the sequestering procedure for this particular appropriation, was the reduction applied uniformly among all the programs and projects under this account?

Mr. **Brown**. Those that were on the program and activity list were reduced 4.3 percent. There was some, if I remember correctly, some difficulty—pardon me—that was a Chapter 1 difficulty.

To the best of my knowledge, yes.

Mr. **Natcher**. For the record take a look at it, and put a good statement in the record for us.

[The information follows:]

Impact of Sequester

A uniform reduction of 4.3 percent was applied to all of the programs, projects, and activities in this account to reach the required $30,320,000 sequestration. The awards to the two grantees under the Arts in Education program were obligated before Gramm-Rudman-Hollings became law. We are now in the process of negotiating a 4.3 percent reduction in the amount of these two grants. In the event that these two grantees do no consent to a full 4.3 percent reduction in their awards, it will be necessary for us to sequester the necessary amount, $135,751, from other programs, projects, or activities in the account.

Mr. **Natcher**. The magnet schools program shows $3,225,000 as being sequestered. Is each grant being reduced by a uniform percentage, or will you pick and choose which grant will be reduced?

What procedure will you use?

Mr. **Davenport**. Uniform percentage.

CHAPTER 2 EVALUATION

Mr. **Natcher**. Under the Block Grant Program, how many studies are now being conducted by your office concerning the Chapter 2 program?

Mr. **Brown**. To the best of my knowledge, one has recently been completed. The one that I referred to earlier as being in draft is apparently done. I don't know of any other evaluation except for that evaluation of local educational agency practices.

Mr. **Natcher**. Have you completed any studies of the Chapter 2 program within the past year?

Mr. **Brown**. No others that I recall. This would be it. This has been the major evaluation.

Mr. **Natcher**. Generally, what does the data show about State and local activities under Chapter 2? Are these funds being used to improve education, or are they being used to simply maintain basic programs and services?

What would you say to that?

Mr. **Brown**. I think that there is good news and bad news in the report. It seems to me that, specifically with respect to your question, that the funds are going to both, both to improve and to maintain priorities that existed prior to the enactment of this piece of legislation.

If I understand what I have read correctly, it appears that the major impetus for some of the reform activities is at the local educational agency level, not the Federal Government or the State government.

Reform tends to be the result of local desires to improve education. Most of the moneys from this program seem to have gone to support those reform activities.

Mr. **Natcher**. Isn't it true that Chapter 2 funds are authorized generally to improve elementary and secondary education for students in public and private schools? Isn't that one of the major purposes?

Mr. **Brown**. There are three eligible funding areas from which one can select, I mean broad categorical areas, and that happens to be one of them.

The second is basic skills improvement, basic skills activities, and another is special projects.

Mr. **Natcher**. Can you tell us if block grant funds are being used to pay teacher salaries?

Mr. **Brown**. Sure they are, to the extent that those salaries are going for activities that are related to the antecedent programs, or to improvement activities.

Mr. **Natcher**. What about general classroom teachers?

Mr. **Brown**. To the extent that that teacher is participating in a new project or enhancement type of activity, I would think that that would be the case. Again, it would have to be supplementary.

I believe there is a "supplement, not supplant" provision in the law.

Mr. **Natcher**. Do you have an estimate of block grant funds that are being used for desegregation activities?

Mr. **Brown**. Yes, sir, using a relatively broad definition of desegregation related activities, it is about $40 million, according to the SRI study.

Mr. **Natcher**. Are you satisfied with the data you have received so far on the Chapter 2 program?

Mr. **Davenport**. Yes, sir. We believe it is working. We believe that the decisions are being made at the local level, according to their priorities, and that the program is assisting in the campaign for excellence, with leadership from the Federal Government.

CHAPTER 2 DATA AND MONITORING

Mr. **Natcher**. What about the information you receive from the States? Are you receiving sufficient data and information from the States at this time that would be of assistance to you?

Ms. **Bowman**. We are receiving copies of their annual evaluation reports.

Mr. **Natcher**. Anything other than that?

Ms. **Bowman**. We also are visiting half of the States each year, and we include two LEAs in each State visit. This provides us with a good deal of information.

Mr. **Davenport**. These are monitoring visits, Mr. Chairman.

Mr. **Natcher**. Do you need more information from the States than you are now receiving?

Mr. **Davenport**. We believe the information received at this point is sufficient. Through our monitoring visits, we gain additional data. In those monitoring visits, we not only review SEA activities, but we go out and sample some LEAs in that State. So we have sufficient data at this point.

Mr. **Natcher**. Have you received any complaints from the States about excessive recordkeeping requirements?

Mr. **Davenport**. No, sir, I think the requirements have been reduced, and the States are very pleased with it.

SCIENCE AND MATHEMATICS PROGRAM

Mr. **Natcher**. For 1985, Congress initiated funding for science and math programs: 70 percent are distributed to local school districts, as you know. Briefly, describe to the committee how the school districts are using this money. That is 1985 money we are talking about.

Mr. **Davenport**. They are using this money to meet their training needs. The LEAs may also apply to the SEA for a waiver to use funds for computer instruction, foreign language instruction, instructional materials and equipment related to math and science. At the State level, the State must use 20 percent for demonstration and exemplary teacher training programs, including programs for historically underserved and underrepresented persons; 5 percent for technical assistance for LEAs; and up to 5 percent for administration and evaluation.

COMPUTER-RELATED EXPENDITURES

Mr. NATCHER. Do you have any estimate of how much of these funds are being used at this time by school districts to purchase computers?

Mr. BROWN. For Chapter 2, I believe a third of the money, or about $99 million, of approximately $330 million at the local level went for computer-related activities.

That could be the purchase of computers or software. It could as well be the development of courses and instructional materials related to computer literacy, and other kinds of activities.

IMPACT OF SCIENCE AND MATH PROGRAM

Mr. NATCHER. Let me ask you are the school districts finding it difficult to develop ways to use these funds for science and math?

Mr. DAVENPORT. No, sir.

Mr. NATCHER. Do you have an estimate of the number of school districts participating in the science and math program? Do you have any estimate?

Mr. DAVENPORT. Mr. Chairman, let me review our files and see if we have those data.

Mr. NATCHER. Place it in the record for us, please.

[The information follows:]

LEA PARTICIPATION IN THE SCIENCE AND MATH PROGRAM

Under the Science and Mathematics Education statute, States must provide formula grants to all local educational agencies (LEAs) applying for assistance. Based on our site visits and telephone monitoring, we estimate that over 80 percent of all LEAs in the country are participating. Some LEAs are not applying for assistance because the amount of money they would receive would be very small.

EFFECT OF SCIENCE AND MATH REDUCTIONS

Mr. NATCHER. For 1986, Congress appropriated $45 million for the program, which is about 50 percent less than the previous year. In your view, what effect will this reduction have on science and mathematics education in this country? Any effect?

Mr. DAVENPORT. We don't really know. The Congress passed an initial appropriation of $100 million and the following year it changed the appropriation to $45 million. There hasn't been a data base established to allow us to tell the impact of the program. The data are being generated from the first-year operation of the program, and they will be available, hopefully, very soon.

Mr. NATCHER. Dr. Davenport, the main reason the amount went down to $45 million was because we had no information that would be of assistance to us. In conference and the committee mark-up, it looked like it all might be cut out.

Do you feel that you have enough information to justify an appropriation?

Mr. DAVENPORT. We are not making a request for this appropriation. We are requesting zero funds for this program, and are requesting funding for the new teacher training program, which we think would be much better targeted.

Mr. NATCHER. Well, we have no rescission for the 1986 appropriation.

Mr. **Brown**. That is correct, we did not ask for a rescission in 1986.

Mr. **Natcher**. Why not, Mr. Brown?

Mr. **Brown**. Well, it seemed precipitous to ask for the elimination of a program that had only begun two or three years ago, to be quite honest.

Mr. **Natcher**. Do you think a separate program for science and mathematics education is not necessary at this time?

Mr. **Brown**. Whether there is a need for a specific categorical science and math program is one thing. Whether there is a need for science and math teachers is another.

I don't believe there is a need for a specific science and math program, and I don't believe the Department thinks that either. There is a need for a teacher training and improvement program.

TEACHER TRAINING AND IMPROVEMENT

Mr. **Natcher**. Your budget proposes $75 million for a Teacher Training and Improvement Act.

What is the status of this proposed legislation?

Mr. **Brown**. I believe it was transmitted both to the House and Senate two months ago, and we are in discussions with congressional staff right now.

Mr. **Natcher**. Is this new program proposed as a replacement for a science and math program?

Mr. **Brown**. Yes, sir.

Mr. **Natcher**. Do you have any estimate of how much of the new program would be related to science and math activities?

Mr. **Brown**. No, we don't, but again, it would be dependent upon the needs of the State, and that is why we think this approach to dealing with the science and math teacher shortage problem, since the problem is spotty and distributed unevenly across the United States, makes more sense than to have the specific program for science and math.

MAGNET SCHOOLS ASSISTANCE

Mr. **Natcher**. For 1985, Congress appropriated $75 million for Magnet School Assistance. How much in total was requested by school districts in their applications for this assistance? Do you have those figures?

Mr. **Davenport**. No, not with us, sir, but you are talking about all the districts who applied?

Mr. **Natcher**. That is correct, total amount requested, place that in the record for us.

[The information follows:]

Magnet Schools Assistance Requested

In fiscal year 1985, 126 local educational agencies requested $180,904,141 in Magnet Schools Assistance funds. This amount included requests from some districts that did not have approved desegregation plans, and thus were later found to be ineligible for the program, and some requests for support of ineligible activities, such as transportation and consultants.

Mr. **Natcher**. Why are these grants made on a two-year basis?

Mr. **Brown**. There can be an argument made that it is good educational practice to continue them for two years. You can't get much done in one year, and this is supposed to be seed money to develop something that will stay and not be transitory once Federal funds are withdrawn or redistributed elsewhere.

It is not required by the statute that this be the case. We just thought it made sense.

WOMEN'S EDUCATIONAL EQUITY PROGRAM

Mr. **Natcher**. Have you made any recent evaluation of the Women's Educational Equity program?

Mr. **Brown**. Yes, sir, we have completed a report, and I believe it was transmitted two weeks ago.

Mr. **Natcher**. Generally, what are the results?

Mr. **Brown**. Generally, we hear the results are not particularly positive. We found projects generally focus on local rather than national and statewide concerns, contrary to the law, which requires that they be focused on national and statewide concerns.

For example, one of the projects that sticks out in my mind was a project for a body building course for a selected number of women in one city so that they could become firefighters. So some of the projects are very strange, idiosyncratic.

There doesn't appear to be a very large new group of nationally important priority areas in women's educational equity. The priority areas that we fund overlap. They overlap with one another, and tend to overlap with activities we support in other programs. There is a lot of vocational education going on in this program.

FOLLOW THROUGH

Mr. **Natcher**. Appropriations for Follow Through have fallen sharply, from $59 million for 1979 to $7.9 million for 1986. What has been the effect of this reduction on Follow Through projects?

Mr. **Davenport**. It has reduced the number of Follow Through projects that are operating as official Follow Through projects across the country.

Mr. **Natcher**. Can you tell us, Doctor, how many Follow Through projects have been continued with other Federal or State funds?

Mr. **Davenport**. We can provide some information on that, sir. We don't have all the records. We can only report on the ones about which we have direct knowledge, and we will provide that for the record.

[The information follows:]

Continuation of Follow Through Programs

The Department does not have this information on file.

Mr. **Davenport**. The 58 school projects that are receiving Federal funds have been funded for over the past 12 years. They serve only 20,000 students. Educational services for many of these children are already carried out under Chapter 1 and also Chapter 2.

LEADERSHIP IN EDUCATIONAL ADMINISTRATION

Mr. NATCHER. For 1986, an amount of $7,177,000 is available to begin the new Leadership in Educational Administration program. What actions have been taken to initiate this new program?

Ms. CICHOWSKI. Mr. Chairman, the program office has recently completed draft regulations which will be going into Department clearance shortly, and we expect to be able to make awards by the end of the fiscal year.

Mr. NATCHER. Are you planning to issue regulations?

Ms. CICHOWSKI. Yes, sir.

Mr. NATCHER. Assuming the rescission request is not approved, that is before the committee, when would funds be awarded under the Leadership program?

Ms. CICHOWSKI. We expect to make awards by the end of the fiscal year.

Mr. NATCHER. Do you have an estimate of the administrative costs relating to the Leadership program?

Ms. CICHOWSKI. No, I don't, sir.

EXCELLENCE IN EDUCATION PROGRAM

Mr. NATCHER. For 1985, Congress appropriated $5 million to begin the Excellence in Education program. When were grant awards made from these 1985 funds?

Ms. CICHOWSKI. We expect to make awards in mid-May. The reason for the delay is two-fold. First of all, we had to develop new regulations for the program, but perhaps more importantly, as structured by the statute, the program is very cumbersome to administer.

In particular, it requires local school districts to nominate schools for consideration to the State, and then the chief State school officers have to, in turn, review applications from the local school districts and nominate up to 25 schools for Federal review.

With the multiple levels of review, it has taken us some time to get the program implemented.

Mr. NATCHER. How many grants do you expect to award from 1985 funds?

Ms. CICHOWSKI. Approximately 100.

Mr. NATCHER. Have States or local school districts expressed much interest in applying for these grants?

Ms. CICHOWSKI. We received about 800 applications, I believe. That is fewer than what the States could have nominated the States were each permitted to nominate up to 25 schools.

Mr. NATCHER. Do you believe that this program is a waste of taxpayers' money?

Ms. CICHOWSKI. As currently structured in the legislation, we think it is unnecessarily cumbersome and duplicative of other efforts that are under way in the Department.

Mr. NATCHER. Mr. Early.

PROGRAMS PROPOSED FOR TERMINATION

Mr. **Early**. Your budget proposes termination of direct Federal support for a number of categorical programs that have either outlived their usefulness or are eligible for funding from other sources.

Is that other Federal sources?

Mr. **Davenport**. That is from my statement on Chapter 2, I believe. Some of those would be other Federal sources. Others are private sources.

Mr. **Early**. It is very important for the committee to know what those other sources are.

CHAPTER 2 EVALUATION

What kind of changes have there been in how States and local education agencies use their Chapter 2 block grant funds, if any?

Mr. **Davenport**. There has been a shift from the earlier years when funds were spent mainly for computers. Now other activities are being picked up.

Mr. **Early**. Provide it for the record.

[The information follows:]

Uses of Chapter 2 Block Grant Funds

As the following table from the recent Chapter 2 evaluation shows, school districts have increasingly supported different types of activities with their Chapter 2 funds.

Activities	Percentage of all districts that used Chapter 2 funds for each activity category		
	1982–83	1983–84	1984–85
Computer applications	49	60	72
Library/media center support	72	67	68
Curriculum or new program development	19	19	25
Student support services	11	14	15
Instructional services	9	8	16
Staff development	18	17	26

Mr. **Early**. Last year, you told the committee that a comprehensive analysis of Chapter 2 spending trends would be done with a study completed in 1985. Has that study been done?

Mr. **Brown**. Yes, it is in draft.

Mr. **Early**. Completed?

Mr. **Brown**. It is in draft, sir.

Mr. **Early**. Okay, would you send the committee——

Mr. **Brown**. When it is completed, you will get a copy.

Mr. **Early**. Fine.

Would you highlight some of the findings?

Mr. **Brown**. Sure.

Mr. **Early**. Now, please.

Mr. **Brown**. Some good news, and some bad news.

Mr. **Early**. Good, all you have been giving us is the bad news so far. Give us the good news first.

Mr. **Brown**. All right.

About a third of the money at the local level is being spent on library and media center type activities. One-third is being spent on computer-related activities. Another third is split among instructional services, staff development, curricula and support activities.

That is a lot less for computer-related activities than was true in earlier years. Computer activities don't seem to me to be all that inappropriate, if they are used in connection with improvement types of activities.

We found that in terms of the amount of funds going for desegregation-related activities, there is about $40 million out of a total of $330 million in 1984–1985.

Mr. EARLY. Provide it for the record, Mr. Brown. Just a summary of the highlights.

Mr. BROWN. Sure.

[The information follows:]

HIGHLIGHTS OF CHAPTER 2 STUDY

In school year 1984–85:

In its third year of operation, Chapter 2 has largely achieved its statutory goals of: contributing to educational improvement (through the introduction of new technology and the support of curriculum development); reducing local administrative burden (on average, only five percent of local Chapter 2 funds are used for administration); and providing local discretion in the use of funds, and increasing the participation of private school students.

Ninety-nine percent of the Nation's school districts received Chapter 2 funds.

State educational agencies (SEAs), applying distribution fromulas they developed, allocated over $350 million Chapter 2 dollars to school districts; of this total approximately $330 million purchased services for public school students, with the remainder used to purchase services for private school students.

Chapter 2 allocations received by districts averaged $7–$9 per child; 42 percent of the Nation's districts received allocations of less than $5,000 and only 20 districts received allocations of more than $1 million.

Nationally, Chapter 2 activities tend to serve all students, focusing neither on particular grade levels nor on particular student groups.

Districts spent Chapter 2 funds in six general activity categories: one-third of total funds to computer applications; one-third to libraries and media centers; and one-third evenly shared between curriculum development, staff development, instructional services, and student support services.

Chapter 2 has fully or partially supported the introduction of computer technology into three-quarters of the Nation's school districts. These computers are viewed as a new means of instruction, are actively used, and are generating considerable excitement among students and staff.

Since the passage of Chapter 2:

Chapter 2 has largely achieved its statutory goals of contributing to educational improvement, reducing administrative burden for district administrators, providing districts discretion over the use of these Federal funds, and increasing the participation of private school students.

Over 75 percent of all districts gained funds under the Chapter 2 program compared to its 28 antecedent programs. Districts that experienced a funding loss included former Emergency School Assistance Act recipients and those notably successful in competitive, discretionary grants programs.

Districts support more kinds of activities under Chapter 2 than they did under the antecedents; the trend toward diversification has become more pronounced with each succeeding year. The limiting factor seems to be grant size, as larger districts tend to have greater numbers of activities than small ones.

Direct parent and citizen involvement in Chapter 2 decision-making has not been fully achieved, although community preferences do influence district program decisions.

Forty-two percent of all districts have eligible private schools, and 88 percent of these districts are providing services to private school students. Services provided to private school students fall predominantly in the libraries/media centers and computer applications categories.

Interactions between districts and their SEAs are usually trouble-free and mainly involve procedural matters. Districts' concerns over monitoring or auditing are minimal, in part because such activities have not yet occurred and in part because, where monitoring does occur, SEAs are following well-established (and understood) procedures.

Mr. EARLY. Thank you, Mr. Chairman.

Mr. NATCHER. All right.

This afternoon, we will take up Impact Aid. We want to thank you and your associates for appearing at this time. Again, as you well know, you and your people are administering one of the most important programs in education. You agree on that?

Mr. DAVENPORT. Yes, sir.

Mr. NATCHER. This is a program of great concern to our committee, and we hope that you and all of your people that administer this program will help us with it, because it means so much to the people. This is an important program.

Thank you very much. The committee will now recess until 2:00.

[The following questions were submitted to be answered for the record:]

USE OF CHAPTER 2 FUNDS

Mr. Early: Are Chapter 2 funds used for different activities at the elementary and secondary school levels?

Mr. Davenport: The recently completed study of Chapter 2 by SRI International found that Chapter 2 funds are supporting activities in all grade levels from preschool/kindergarten through high school. In the 1984-85 school year districts tended to direct these funds more heavily to the upper elementary through senior high grades, as the following table shows. (The table omits the "library/media center support" category, which is typically distributed equally across all grade levels.)

The activities shown in the table are spread fairly evenly across grade levels. More fine-grained analysis of how Chapter 2 support for selected types of instructional services (gifted and talented, remedial programs) and "schoolwide improvement" programs is distributed across grade levels reveals the same basic pattern.

Site visits by researchers undertaking the study revealed that within a school district block grant funds are often targeted on a particular grade level in one year, then directed to another grade level in subsequent years.

GRADE LEVELS TOWARD WHICH BLOCK GRANT FUNDS ARE DIRECTED, BY TYPE OF ACTIVITY

Among the districts nationwide directing 1984-85 block grant funds for each activity, the percentage aimed at each grade level

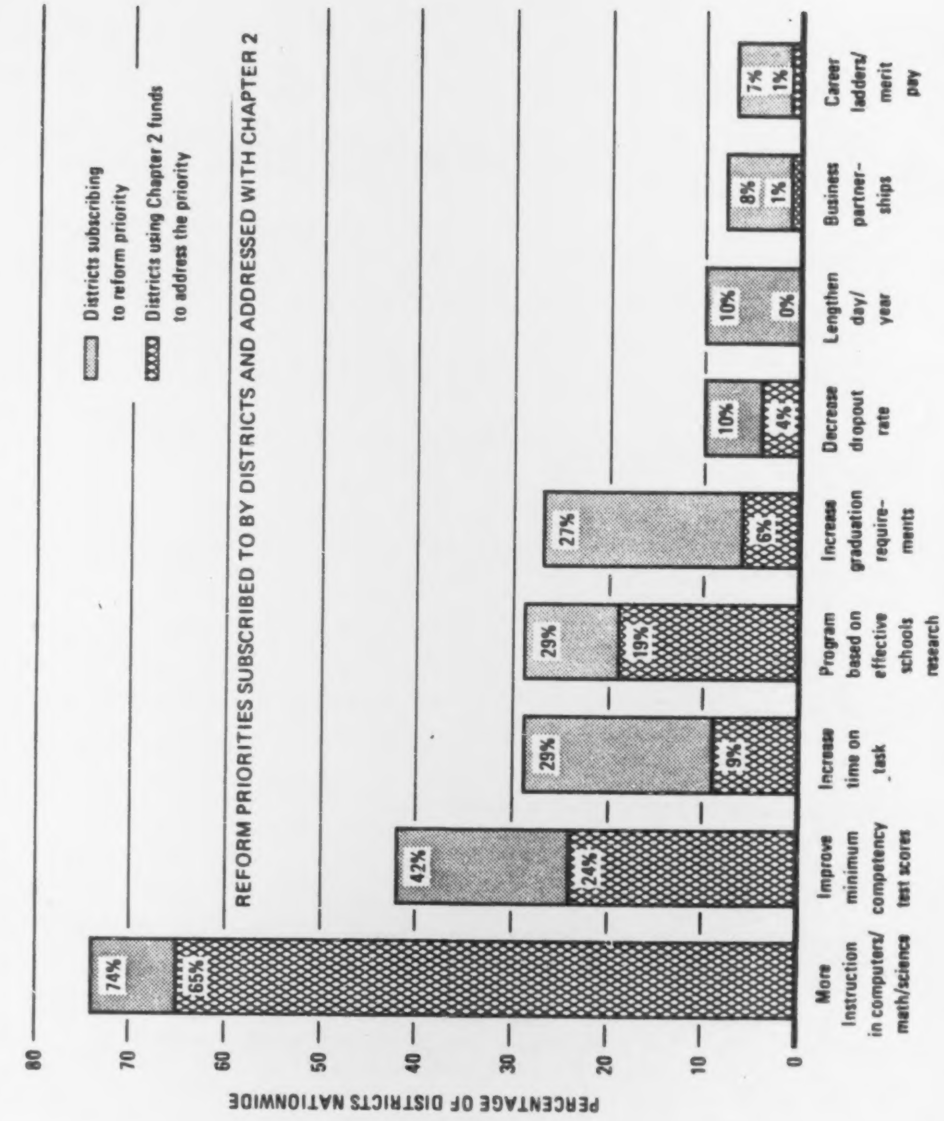
Types of Activities	Preschool/ Kindergarten	Lower elementary (Gr. 1-3)	Upper elementary (Gr. 4-6)	Jr. high/ middle	Senior high
Computer applications	16	55	77	74	68
Curriculum/new-program development	14	54	67	57	54
Student support services	11	36	54	43	68
Other instructional programs	14	64	72	61	48
Staff development	38	82	83	76	64

Mr. Early: Do we know to what extent Chapter 2 funds are being used to improve educational excellence? To address issues raised in A Nation At Risk?

Mr. Davenport: The following chart, from the recent Chapter 2 national study by SRI International, shows the percentage of all school districts natiowide reporting the use of Chapter 2 funds to address various educational reforms.

As can be seen, instruction in computers, math, or science is the area in which Chapter 2 has permitted the greatest number of districts to follow national reform agendas. In fact, a majority of districts in all enrollment size categories are using some or all of their Chapter 2 money to support computer-based instruction of some kind. The SRI study also found that approximately a quarter of the Nation's school districts put some or all of their Chapter 2 money into curriculum development, and that Chapter 2 funds have contributed to a doubling of the number of districts in all enrollment size categories (compared with the number of districts that used funds from the antecedent categorical programs) that are using these funds for staff development and training.

The reports of the districts' reform priorities, as categorized in the chart, may understate the relationship between Chapter 2 and some types of reforms. Career ladders for teachers provide the best example. In States that have introduced these programs, local visits conducted under the study found that local Chapter 2 activities in staff development are helping teachers move up the ladder, although this is not generally stated as a primary goal of the Chapter 2 program. Moreover, the use of Chapter 2 to support new arrangements for teacher advancement is having a significant effect in some large districts (where many teachers participate).



REFORM PRIORITIES SUBSCRIBED TO BY DISTRICTS AND ADDRESSED WITH CHAPTER 2

SECRETARY'S DISCRETIONARY FUND

Mr. Early: What kinds of activities does the Department plan to support with the Secretary's Discretionary Fund?

Mr. Davenport: Aside from the mandated programs (Reading is Fundamental, Alcohol and Drug Abuse Education, Arts in Education and Law Related Education) and the National Diffusion Network, the Department has not made specific plans for the Secretary's Discretionary Fund. However, the Secretary is interested in addressing the problem of drug abuse in schools, the dropout problem, and the lack of satisfactory programs for gifted and talented students.

INEXPENSIVE BOOK DISTRIBUTION

Mr. Early: The Department has frequently cited literacy programs as a major initiative. What role does the Reading Is Fundamental program (RIF) play in this initiative?

Mr. Davenport: The Reading Is Fundamental program (RIF) is primarily a reading motivation program for young children; the Department's literacy initiative is targeted on the adult population. Thus RIF does not play a direct role in the initiative. However, there are many common factors between RIF and the initiative, such as the involvement of local communities, private sources, and volunteer citizens in providing funds and services for reading-related activities, and in the role that reading motivation can play in preventing illiteracy. Also, the adult literacy initiative is interested in promoting the role parents can play in helping their children become better readers, even when the parents are not skilled readers themselves. Indeed, the RIF program is a component in the overall solution to the illiteracy problem, as prevention is often the best cure.

Mr. Early: Given this literacy initiative, why hasn't the Department proposed an increase for this program?

Mr. Davenport: The Department's 1987 budget proposal would, as a preliminary estimate, restore funding for the Reading is Fundamental program to the 1986 presequester level of $7 million. In addition, because the Department believes that programs to improve adult literacy are a high priority, Adult Education would be increased by $6.4 million in 1987 to $104 million, its highest level ever. Finally, States and local school districts may use their Chapter 2 block grant funds to support reading motivation and literacy-related projects. In light of current budget restraints and the budget deficit targets required by Gramm-Rudman, we believe these funding levels fulfill the Federal responsibility in this area.

Even though illiteracy and lack of reading motivation are national problems, they aren't primarily Federal problems, and there can't be a strictly Federal solution. Rather, solving this problem will require the combined efforts of government at all levels, the private sector, and individual citizens working as volunteers. What is important is not how much money the Federal government can spend on the problem, but how much leadership and information it can provide and the extent to which it can influence the priorities of the States, school districts, local communities, and the private sector to use their own energies and resources to address these problems.

TEACHER TRAINING AND IMPROVEMENT ACT

Mr. Early: Several programs which were funded for the first time in the FY 1986 appropriation bill have been proposed for rescission. One of the reasons given is that given fiscal constraints this is not the time for new programs. Yet, the Department is proposing a new teacher training and improvement program. Isn't that somewhat inconsistent?

Mr. Davenport: Not really. The Teacher Training and Improvement program is being proposed as an amendment to Title II of the Education for Economic Security Act, not as a wholly new program.

Mr. Early: Has the Teacher Training and Improvement Act legislation been introduced yet? If so, when?

Mr. Davenport: Secretary Bennett submitted the bill to Congress on February 24. We are currently working with Members of the House and Senate to line up sponsors.

SCIENCE AND MATHEMATICS EDUCATION

Mr. Early: You are not requesting support for the Math and Science State Grants program or the Math and Science Secretary's Discretionary program, because of this new Teacher Training legislation. However, the Math and Science programs have only been in existence a few years -- created in the 98th Congress -- and it's unlikely that the new programs will be enacted in time for our FY 1987 markup. Have we given these Math and Science programs sufficient time to demonstrate their effectiveness?

Mr. Davenport: The programs have been in operation long enough for us to be confident that the proposed Teacher Training and Improvement Act would be an improvement over the status quo. For one thing, the amount of paperwork that the States must submit under the Science and Math program is large, particularly in comparison with the amount of resources that they receive in return. Second, the numerous set-asides under both the State Grant and Discretionary Fund programs dilute the amount of funding that can be used for any particular activity. This makes it difficult for the States or the Department to concentrate resources on a few activities at a level sufficient to make these activities successful. Finally, in the Elementary and Secondary portion of the State program, funds are distributed by formula to all local educational agencies in the State. By the time these funds reach the LEAs they are so diminished as to be good for almost nothing.

Our bill would avoid the mistakes of the Science and Math program and ensure that the $75 million we are requesting for Teacher Training would be used effectively. First of all, State and local paperwork would be held to a minimum. Second, States would not have to distribute their funds by formula. Rather, they would award grants competitively for training projects most needed in the State. Finally, under our budget a relatively high proportion of the funding -- 20 percent -- would be retained at the national level for discretionary projects. This is proposed so that the Department can develop an array of exemplary teacher training, improvement, and retention models that can then be adopted in the States. It is often more efficient to undertake this developmental work at the national level.

MAGNET SCHOOLS ASSISTANCE

Mr. Early: I recall that the Administration did not request funds for the Magnet Schools program in either FY 1986 or FY 1985. Would you explain why you are now proposing to "increase" these funds by $3.2 million to bring the program back to the fiscal 1986 enacted level?

Mr. Davenport: Researchers have found that magnet school programs can be an effective means of achieving voluntary school desegregation, increasing parental choice, and promoting academic excellence. The 1983 Lowry and Associates Study of magnet schools also found that:

- School districts benefit from magnet school programs because of the partnerships and relationships established between magnet schools and the local private sector, higher education institutions, foundations, and nonprofit organizations.
- Quality education in magnet schools does not require selective methods of student admission. Magnet schools with high-quality education serve average as well as high-ability students.
- Magnet schools can have a positive effect on holding students in public schools and reducing "white flight." They often help to reduce actual and potential community conflict over desegregation.

For these reasons, we are very pleased that the 1987 budget request includes $75 million for Magnet Schools Assistance.

Mr. Early: Has your opinion of the Magnet Schools program changed?

Mr. Davenport: No it hasn't. In the 1987 budget, the Administration has reassessed the role of the Magnet Schools Assistance program within its overall education budget policy. In previous years, the Administration opposed funding for the program, believing that scarce resources should be devoted to established and successful programs serving the disadvantaged and handicapped. We argued then, and still believe, that primary responsibility for financing school desegregation programs, including magnet schools, lies with State and local authorities. Our 1987 budget reflects a slight shift in our priorities. We believe that Magnet Schools Assistance is a cost-effective way to help establish model magnet schools programs that other districts can study and implement.

We remain firm in our view that this program should not become a vehicle for long-term operation of local magnet school programs.

SCIENCE AND MATHEMATICS EDUCATION

Mr. Hoyer: We've all heard about the shortage of math teachers and we've heard about non-math teachers being asked to teach math courses.

How large is the shortage of math teachers?

Mr. Davenport: No nationwide definitive study has been undertaken on this issue, so all we have to go on are reports from some individual States and localities. Some States report as much as a 50 percent shortage of mathematics teachers. Yet the problem is not uniform across all jurisdictions. Some affluent school districts in the Northeast have reported surpluses of math teachers. Some inner-city districts, rural districts, and Southeastern districts have reported very critical shortages.

The Center for Statistics in the Department is now mounting a major effort to develop national data on the supply and demand of educational personnel in all fields. By the end of 1987, we should have better information on this topic.

Mr. Hoyer: Are you aware that many non-math teachers are being asked to teach math?

Mr. Davenport: Yes we are. The National Science Foundation has estimated that 20 to 40 percent of all mathematics teaching positions are filled by teachers who are not certified in math. The Council for Basic Education has stated that 51 percent of all new openings in mathematics are being filled by uncertified teachers. When the State assessments required under the Science and Mathematics program are filed with us this year, we may be able to develop more precise and up-to-date information in this area.

Mr. Hoyer: How do we compare with other nations in this area?

Mr. Davenport: Most major industrial nations do not seem to have this problem. The information we have would indicate that Germany, France, Japan, and the Scandinavian countries do not have significant shortages of mathematics teachers.

Mr. Hoyer: What do you propose to address this concern?

Mr. Davenport: We have proposed to fund the new Teacher Training and Improvement program at a level 74 percent higher than the current funding level for Science and Mathematics Education. States will be able to use this money to address teacher shortages and improvement needs in mathematics or in other subject areas where the States' needs are greatest. Because this new program will not carry over the within-State distribution requirements and funding set-asides that hamper operation of the Science and Math program, it will be a much more flexible and useful mechanism for dealing with teacher shortages.

Mr. Hoyer: How have LEAs and SEAs used FY 1985 funds?

Mr. Davenport: The States will provide us with financial status and performance reports on the first year of program operations at the close of the program year. Because we have not yet concluded the first year under the program, we have not received any official reports on what the local and State educational agencies are doing with their 1985 funds.

From our monitoring visits, we have found that States are devoting their elementary and secondary funds almost entirely to inservice training and retraining. They have given particular emphasis to getting teachers in other fields certified to teach science and mathematics and to strengthening the content of mathematics instruction. Higher education money has been used to develop training institutes and workshops and to establish partnerships with the private sector.

CHAPTER 2 STUDY

Mr. Hoyer: On pages 111 and 112 of your justification you discuss the preliminary results from the SRI International Study of the Chapter 2 program.

One of the findings that you didn't mention is that local education agencies are spending on desegregation activities only approximately one-quarter of what used to be spent on such activities funded through the former categorical program. Does this concern you?

Mr. Davenport: Although local educational agencies (LEAs) are spending less money on school desegregation assistance under Chapter 2 than they did under the former categorical program, the number of LEAs using Federal funds for desegregation has increased substantially under Chapter 2, as a result of the greater flexibility allowed in the use of Chapter 2 funds. Furthermore, only a slightly smaller proportion of the Nation's student population potentially benefits from desegregation assistance funded by Chapter 2 than was the case under the former programs. In light of these facts, and given the Department's request of $75 million for the Magnet Schools Assistance program, I am comfortable with the Federal government's current level of fiscal support for school desegregation assistance.

Mr. Hoyer: SRI also has found that large systems with heavy minority and poverty populations lost large sums under the Chapter 2 program and reported great administrative problems in providing Chapter 2 services to private schools. Why has this occurred?

Mr. Davenport: Large school systems with heavy minority and poverty populations lost large sums of money under the Chapter 2 program because they were the primary recipients of large competitive grants under the antecedent categorical programs to Chapter 2. By comparison, the Chapter 2 block grant allocates funds to practically all public school districts nationwide, primarily on the basis of student enrollment. The large school systems referred to reported administrative burdens in providing Chapter 2 services to private schools primarily because: (1) most of the the antecedent categorical programs did not mandate equal per pupil expenditures of Federal funds for students attending eligible private schools and (2) most private schools are in very large urban districts. The major administrative responsibility for the private school student component of Chapter 2 rests with the public school districts (except in States with bypass or intermediate unit arrangements) because of the constitutional limitations on using public funds to serve private school students. The greatest sources of this administrative burden among very large urban school districts are notifying and consulting with private school officials about Chapter 2, paperwork generated by the involvement of private school students, and monitoring the use of Chapter 2 materials or services that benefit private school students.

Mr. Hoyer: What is being done to assist these school districts?

Mr. Davenport: They can charge these administrative costs to their Chapter 2 grants.

Mr. Hoyer: The report finds that funds flowing to private schools have tripled under Chapter 2. Why is this?

Mr. Davenport: Funds do not flow directly to private schools. Rather, services are provided to private school students by public districts. The increase in Chapter 2 funds which serve private school students is due to the fact that most of the antecedent categorical programs, unlike Chapter 2, did not mandate equal per pupil expenditures of Federal funds for students attending eligible private schools.

MAGNET SCHOOLS

Mr. Hoyer: How were the reviewers chosen who reviewed last year's grant applications?

Mr. Davenport: All panelists were chosen on the basis of backgrounds in curriculum development, educational programs, or dissemination; and knowledge of the desegregation process and the social, legal, and educational contexts of discrimination. The panelists represented all levels of educaton, and included a balance of administrators, teachers, community educators, and theoreticians.

Mr. Hoyer: Are reviewers permitted to review applications for which they have certain biases?

Mr. Davenport: No. Review procedures require that each panelist identify any application for which he or she has a conflict of interest. When a member of a review panel has a conflict of interest, the application creating that conflict of interest is reassigned to another panel where no conflict of interest exists.

Mr. Hoyer: What is done to insure impartiality and accuracy?

Mr. Davenport: Impartiality is assured through procedures established for the formation of review panels. Under these procedures, a panelist may not review an application from his or her school district; and no two reviewers representing the same organization may serve on the same panel. Accuracy is maintained by requiring that panelists use only the published evaluation criteria that appear on the evaluation review forms to rate applications. Comments by the panelists are also reviewed by staff to ensure that those comments are germane to the criteria.

Further, the raw scores assigned by each panelist are statistically standardized by computer. This computer process generates the average standard score for each application that is then used to determine the placement of the application on the rank order list. Recipients of awards are selected from the rank order list, beginning with the highest ranking application.

Mr. Hoyer: I had the opportunity to review the comments of the panelists after the unsuccessful attempt by the Prince Georges County school district. A couple of things came to mind that I'd like you to respond to.

Some of their comments appear to be flip, speculative, or sarcastic. They sometimes appeared to miss the intent of the criteria or at least address it in a tangential way; and finally the panelists contradicted themselves on occasion.

Mr. Davenport: Comments by the panelists are reviewed by the program office. We found those comments to be appropriate in the exercise of professional judgments and responsive to the criteria. Each panelist reviewing an application is responsible for formulating his or her own evaluation of that application, including a description of the strengths and weaknesses as that individual panelist perceives them based on the criteria. In doing this, there are occasions when panelists will not agree. However, we do not require that panelists come to a consensus.

Mr. Hoyer: According to your justification, grants ranged from $214,000 to the $4 million grant maximum. What explains the wide range between the largest and the smallest grants?

Mr. Davenport: The wide range between the largest and the smallest grants results from the variation in the levels of funding requested by school districts. Requests ranged from $89,287 to $4,182,347. In the particular case of the school district that received $214,000, that district's request was for $238,000. The only proposed expenditures that were disallowed were for unlicensed or uncertified teachers, consultants, and transportation. The magnet schools statute does not permit these cost items to be funded.

Mr. Hoyer: Was there an overall policy related to grant awards?

Mr. Davenport: All applications were evaluated on the basis of the selection criteria published in the program regulations. Evaluation scores were statistically standardized, and the average standard score for the panel that reviewed an application was used to determine the placement of each application on the rank order list. Recipients of grant awards were selected from the rank order list, beginning with the highest ranking application and continuing until all funds were expended. There were 126 applications competing for the $75 million that was available, and these funds were sufficient to reach the application that was number 44 on the rank order list.

Mr. Hoyer: Have the continuation awards been made?

Mr. Davenport: Continuation awards have not yet been made. Applications for these awards are due on May 2, 1986. Continuation awards are presently scheduled to be made by June 30, 1986.

Mr. Hoyer: What criteria will be -- or was -- used to award the continuation grants?

Mr. Davenport: A continuation award may be made only if the applicant is making satisfactory progress in implementing its project, meets the conditions in the Education Department General Administrative Regulations (EDGAR) for a continuation award, and continues to implement its approved desegregation plan.

The EDGAR regulations related to continuation awards provide that the Secretary may make a continuation award for a multi-year project if: (1) the Congress has appropriated sufficient funds under the program; (2) the Secretary is satisfied that the grantee will satisfactorily complete the budget period that is about to end; (3) the grantee has submitted every report that it must submit before the date of the continuation award; and (4) continuation of the project is in the best interest of the Federal Government. If these four conditions are met, the Secretary must give priority to continuation awards over new grants.

Mr. Hoyer: Do you have any expectation of how many continuation awards will be made?

Mr. Davenport: We expect to make continuation awards to all 44 current recipients. We base this expectation on meetings with each project director at the program's project directors conference and on the systematic telephone monitoring of each project by program staff. This telephone monitoring provides us with substantial information concerning various aspects of grant performance. Among those aspects of a grant that are monitored are status of implementation of project activities, adherence to proposed timelines, degree of accomplishment in reaching stated project objectives for both academic achievement and desegregation, and project financial performance. On the basis of the information we have gathered thus far, it appears likely that all projects will successfully meet the criteria for continuation.

Mr. Hoyer: What will happen to any money which is left over from the making of continuation awards?

Mr. Davenport: If, after continuation awards are made, funds for Magnet Schools projects remain, a notice will be published inviting new applications, and competition for those remaining funds will be conducted.

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Mr. Hoyer: For fiscal year 1987 will those districts which received grants in the past have an advantage over those unsuccessful applicants?

Mr. Davenport: Absolutely not. For FY 1987, districts that currently have magnet schools grants will not have an advantage over previously unsuccessful or other new applicants.

Mr. Hoyer: What have you done to ensure that this is not the case?

Mr. Davenport: We have published regulations that do not award any points on the basis of previous history in the program. Awards for 1987 will be made only on the basis of criteria in the regulations. In addition, we will be reviewing the regulations to ensure that magnet schools funds are used only for new activities, not for long-term Federal support of on-going programs.

INEXPENSIVE BOOK DISTRIBUTION

Mr. Hoyer: According to your justification, 7 million books were distributed by Reading is Fundamental, Inc. I am glad to hear that. Can you briefly describe the benefits of this program?

Mr. Davenport: The primary benefit of the program is that it has a positive impact on children's overall motivation to read. It also results in increased use of libraries and increased parental involvement in schools, contributes to improved reading achievement, and helps to prevent illiteracy.

Mr. Hoyer: Are we anywhere close to meeting the need?

Mr. Davenport: The Inexpensive Book Distribution program is a partnership between the Federal government and local communities. It is only one component of the Federal effort to promote literacy. The program currently distributes approximately 7 million books and provides reading motivation activities to more than 2.2 million children with the assistance of about 92,000 volunteers and considerable private and local financial support. We think the current level of effort is an excellent achievement.

SECRETARY'S DISCRETIONARY FUND

Mr. Hoyer: As I understand it you have proposed an amendment to the authorizing statute to eliminate the mandatory set-asides for the Inexpensive Book Distribution, Arts in Education, Alcohol and Drug Abuse Education, and Law-Related Education programs. Has this amendment been introduced in the form of legislation or are you proposing to do this through the appropriations bill?

Mr. Davenport: Our proposal that the set-asides be eliminated was transmitted to the Congress on March 12, 1985 as part of a package of amendments to the Education Consolidation and Improvement Act. The Congress has not acted on these amendments and we requested again on April 15, 1986 that Congress do so.

Mr. Hoyer: Why is this change necessary?

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Mr. Davenport: Our intention in requesting this language change is not to eliminate the programs under the set-aside. They would be funded at levels similar to those of FY 1986. However, as a matter of principle, we believe the Secretary should have true discretion over all of the Secretary's Discretionary Fund.

Mr. Hoyer: Are you aware that certain groups are skeptical over the Secretary's use of his discretionary funds?

Mr. Davenport: We are aware of some skepticism, particularly about the 1985 Content, Character and Choice competition under the Secretary's Discretionary Fund, but we believe it is unfounded. Our priorities for that competition are areas which have been sadly neglected for many years, and in which there is widespread public interest. All of the awards in that competition were properly made, following a Federal Register notice of our priorities.

Mr. Hoyer: Haven't there been a number of awards to organizations to do research which will be used to promote vouchers, parochial education or issues of importance tp "movement conservatives"?

Mr. Davenport: The awards made under the competition are to a wide variety of organizations, and purposely so. Some of the awards under the priority of Choice respond to the Federal Register list of examples of research, evaluation, demonstration, and dissemination activities in the area of vouchers and tuition tax credits. Others, responding to the same part of the notice, are to inform parents of choices already available to them, or concern alternative instructional services for high school drop-outs and other high-risk students. None of the awards promote parochial education. The award to the National Catholic Education Association is for a study to determine why low-income parents, many of whom are not Catholics, go to the expense of sending their children to Catholic schools. While the results of some of the awards may be of interest to a variety of political groups, political action is not the purpose of any of them.

TEACHER TRAINING AND IMPROVEMENT ACT

Mr. Hoyer: I am very interested in the Teacher Training and Improvement Act program. The Prince Georges County school district has been very active in this area. We think we have an excellent program.

Has the proposed legislation been introduced?

Mr. Davenport: Not yet. Secretary Bennett submitted our proposal to the Congress on February 24. We have been working with Members of the House and Senate to line up cosponsors.

Mr. Hoyer: What has been the reaction of the education community to this proposal?

Mr. Davenport: Thus far, there has been surprisingly little response from the community. We have discussed the bill with several education groups, and they are interested in the proposal. However, no group that we know of has yet taken a position for or against the bill. Most people in the education community seem to agree with us that the Science and Math program is an inadequate vehicle for improvement of teaching. We hope that once the bill has been introduced, most of the relevant education associations will endorse the proposal.

Mr. Hoyer: As I understand it, $60 million will be provided for State grants and another $15 million in a discretionary fund. Will local education agencies be permitted to receive funds from both sources of funds?

Mr. Davenport: Yes. Local educational agencies, as well as institutions of higher education, cultural institutions, professional associations, and other public and private organizations would be eligible to apply for funds under both the State and national programs.

TRAINING AND ADVISORY SERVICES

Mr. Hoyer: One of your reasons for eliminating the Training and Advisory Services program is that school districts can apply for additional assistance through the Magnet Schools Assistance program. As you well know there is an overwhelming demand for the magnet school money.

Have you given any thought to eliminating this program but shifting money over to the Magnet Schools program?

Mr. Davenport: No. The Training and Advisory Services program has been around for 20 years. The Federal govenrment has invested $500 million in assisting the desegregation process through this program. At this point, most of the process of physical desegregation has been accomplished, and the Title IV grantees have moved into more subtle forms of discrimination, such as unequal access to computers. We believe that, at this point, the States can take over the technical assistance and training functions.

As for Magnet Schools Assistance, the budget includes a $3,225,000 increase over the 1986 postsequestration level. We believe that this will be an adequate funding level for 1987.

ELLENDER FELLOWSHIPS

Mr. Hoyer: You've proposed to eliminate the Ellender program. According to your justification only 8.5 percent of the total Close Up budget comes from Federal funds. Isn't that a good example of Federal seed money stimulating private activity?

Mr. Davenport: Yes, and by definition, seed money is temporary. Considering the large and increasing amount of community and private support which the Close Up Foundation has demonstrated it can generate, a subsidy from the Federal government should no longer be necessary.

CHICAGO DESEGREGATION CASE

Mr. Conte: I believe that over the past year some sort of resolution was reached on the Chicago School Desegregation Case, which has caused such havoc with the programs in this area, due to the freeze on certain FY 1984 funds that had been in effect throughout the litigation.

Can you describe for us the outcome of this case, and then go into some detail about how much funding was frozen, what ultimately happened to those frozen funds, and what impact the case has had and will continue to have in terms of providing funds to Chicago, and diverting funds from other programs?

Mr. Davenport: The Chicago court case has not yet been resolved. The United States is appealing a December 23, 1985, order of the district court implementing the court's October 15, 1986, opinion in this case. The district court determined that a 1980 consent decree gives the Chicago School Board a priority for funding under all Federal programs that can aid its desegregation plan -- a plan which includes several compensatory education programs for disadvantaged students. This priority applies to all discretionary decisions of agency heads to allocate appropriations among priorities and programs, and extends for a period of at least five more years.

The United States was ordered to award the Board approximately $9 million of enjoined funds. Back in 1983, the district court enjoined over $66 million, including $65 million of FY 1984 funds and $1 million of FY 1983 funds in the Special Programs account. During the 1984-85 school year, the district court made interim releases of these funds. In December 1985, approximately $8.2 million under the Secretary's Discretionary Fund, $4 million under the Follow Through program, $15.9 million under Title IV, $1 million of FY 1983 Title IV and Follow Through funds and approximately $35 million of excess funds were still enjoined. Under the December 23, 1985, order the United States was ordered to award the Board:

-- $1.5 million of FY 1984 funds under the Secretary's Discretionary Fund;

-- $1.5 million of FY 1984 funds under Title IV of the Civil Rights Act, and an additional $647,225 of FY 1983 Title IV funds;

-- $1 million of FY 1984 funds under the Follow Through program (of which $273,541 has already been provided), and an additional $440,300 in excess FY 1983 Follow Through funds;

-- All restrained FY 1983 and 1984 excess funds for which the Board has eligible unfunded desegregation programs (about $4 million).

Fiscal year 1984 funds above these amounts for the Board, that had been subject to the court's restraint, were released for distribution to grantees under the programs. These funds included about $6.7 million under the Secretary's Discretionary Fund, $14.4 million under Title IV, and $3.2 million under Follow Through. Most excess funds remain enjoined by the court and may be subject to further court directives, including possible reprogramming or reappropriations.

In addition, the Secretary is ordered to take steps to ensure that the State of Illinois provides additional funding to the Board under the Chapter 2 block grant program.

The restraint of funds caused tremendous disruption in funding several ED programs over the past three years. Though most grantees finally did receive all or most of their awards for FY 1983, 1984 and 1985, grantees under Title IV, Follow Through, and the Secretary's Discretionary Fund suffered large reductions in their negotiated grant awards in FY 1985 because of the large awards the United States was ordered to make to the Chicago School Board.

EXPENDITURE OF CHAPTER 2 FUNDS

Mr. Conte: To what extent are States, and the local school districts within the States, required to report on what they do with their Chapter 2 funds in a way sufficient to determine whether those programs are being used to promote excellence?

Mr. Davenport: Local school districts must submit an annual application to their State educational agency (SEA) indicating how they plan to use their Chapter 2 funds. They also must assure their SEA that they will comply with the statutory provisions of Chapter 2. States, in turn, must file an annual application with the Department of Education which, in part, sets forth how they plan to use their 20 percent set-aside funds. The State applications must also include an evaluation of the effectiveness of programs and projects funded by Chapter 2 at the State and local level within that State. Since Chapter 2 was specifically designed to meet the particular needs and priorities of States and local school districts, as they perceive them, and to relieve the administrative burden associated with the categorical programs which preceded it, reporting requirements are minimal. There is no requirement that funds be used to address any federally defined notion of "excellence."

Mr. Conte: Does that mean we are dependent upon outside consultants to conduct surveys to get any indication of how the funds are being used?

Mr. Davenport: No. The Department summarizes the annual evaluation reports of the States to provide a national picture of Chapter 2 activity, and conducts on-site monitoring of Chapter 2 programs in all 50 States, the District of Columbia, and Puerto Rico. The Department's Office of Inspector General and the General Accounting Office have also reviewed the implementation and administration of Chapter 2.

Mr. Conte: And does that mean in turn that the only relationship there is between Chapter 2 and educational excellence is the hope of you folks in Washington that the States and localities will in fact use funds to promote educational excellence?

Mr. Davenport: Let me re-emphasize that Chapter 2 was designed to give States and local school districts complete discretion as to how they would spend these funds. Expenditures reflect State and local needs and priorities, rather than federally imposed priorities and rules. The only restriction on how these funds can be spent is that the projects or activities must be authorized by the programs consolidated into the block grant. In addition, Chapter 2 funds must supplement and not supplant funds that would, in the absence of Chapter 2 funding, be made available from non-Federal sources. Since the categorical programs consolidated into Chapter 2 all have educational improvement as their purpose, and since Chapter 2 funds can only be used to provide services in addition to what would otherwise be provided, we believe these funds are primarily used to promote educational improvement or excellence.

Mr. Conte: One of the things I'm trying to do this year is to try and track money that goes to the States that ultimately we have very little idea about how it is used, and I've been using Massachusetts as an example, just to see what information is available. Under Chapter 2, for instance, do you have lists of local educational agencies that receive distributions and the amount of money passed through to them?

Mr. Davenport: Yes, each year the States are required to tell the Department how they distributed funds under State-administered Federal education programs, one of which is Chapter 2. The report for Massachusetts for fiscal years 1984 and 1985 is too lengthy to be inserted in the record but has been provided to the committee.

Mr. Conte: And do you have any accounting as to how the State of Massachusetts spends its 20 percent set-aside? I'm not talking about a little breakdown showing they spend so many percent on administration and so many percent on other activities, I'm talking about a detailed list of funding showing contracts, subcontracts, grants, names of recipients, number of people served, salaries and expenses for those administrative costs paid out of the set-aside and so on. Do you have that kind of information, and if not, how are we supposed to have any idea whether this money is being well spent or not?

Mr. Davenport: The Department does not have detailed information on how the States spend their 20 percent set-aside. We review their annual Chapter 2 applications and conduct on-site monitoring to be certain that the funds are being spent in accordance with the statutory provisions of Chapter 2. But we do not make judgments as to what is "well spent" programatically. This is a matter of State discretion. The Department is planning a small-scale descriptive study of the Chapter 2 set-aside funds that are spent by State educational agencies (SEAs). The study will concentrate on describing how the funds are used (e.g., salaries, travel, grants to local educational agencies), what types of staff are supported, and for what purpose the funds are used (e.g., SEA administrative functions, technical assistance to local educational agencies, reform efforts). That study is scheduled to be completed by February 1987.

Mr. Conte: Give me everything you have for the record on the Massachusetts program.

Mr. Davenport: A copy of Massachusetts' Chapter 2 application to the Department for fiscal years 1986-1988, which includes their proposed overall allocation of funds, a report showing a more detailed distribution of Massachusetts' Chapter 2 funds for fiscal years 1984 and 1985, and a report of the Department's 1985 on-site assessment of the administration of Chapter 2 in Massachusetts have been provided to the Committee as requested.

Mr. Conte: To what extent do the problems that have surfaced with regard to Chapter 1 -- excess carryover, and the effects of the Felton decision on providing funds to private schools -- affect the Chapter 2 program?

Mr. Davenport: To date, very few incidents of excess carryover have surfaced with regard to Chapter 2. The Department's Office of the Inspector General, in audits of nine States, identified one State in which a number of local educational agencies (LEAs) had large carryover amounts. The auditors recommended that the State educational agency (SEA) establish a procedure for identifying LEAs that have not requested their entire Chapter 2 allocations, determining whether those LEAs planned to use their allocations, and reallocating unused funds. The SEA agreed to implement the auditors' recommendation. The Office of Inspector General also identified another State where the SEA's funding process was not timely and, as a result, LEAs were not able to expend their full allocations in a timely manner. In response, the SEA revised its LEA application procedures. In both States, I concurred with the steps the SEAs were taking to implement the auditors' recommendations.

Subsequent monitoring reviews of Chapter 2 by the Department have disclosed that excessive amounts of funds are not being carried over from year to year in any States. However, we are apprising all States of the potential problem and are recommending that they make the necessary changes, such as revisions in their application procedures, to prevent it from occurring.

As to the extent that the Felton decision, which held that instructional services under Chapter 1 cannot be provided on the premises of religiously affiliated private schools, affects the Chapter 2 program, it is the Department's position that Chapter 2 funds may continue to be used for equipment and materials placed on private school premises. In the case of instructional services provided on private school premises under Chapter 2, the Department's position is that State and local officials should carefully review these instructional services in light of the Felton decision to determine whether these services are so similar to those at issue in Felton as to require modification. The Supreme Court has recognized that the implications of one decision under the Establishment Clause for other cases presenting different facts and circumstances are not always clear. It would, therefore, be presumptuous for educational authorities to extend the Felton decision beyond the circumstances clearly addressed by that case.

SECRETARY'S DISCRETIONARY FUND

Mr. Conte: The awarding of some $2.5 million in Secretary's discretionary funding under Chapter 2 has come under some fire lately. Do you have any concerns over the recipients of the funding under this program?

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These recipients were apparently evaluated on their meeting the criteria of promoting what the Secretary has called the 3 C's -- Content, Character and Choice. Under Content, for instance, I noted funding for a couple of projects dealing with an "examination of nuclear education in the U.S." and developing "materials on views of history and foreign affairs in the nuclear age." What's the content here that's being stressed -- I'm a little puzzled.

Mr. Davenport: I have no concerns regarding the recipients of these funds. They were carefully selected with the advice of outside reviewers. The applications you refer to concern the lack of fair treatment of international issues in public schools. The two projects are "Defense in Our Nuclear Era: Guidance for Teachers," by the Ethics and Public Policy Center, Washington, D.C. ($100,000), and "An Examination of Nuclear Education in the United States," by Dr. Herbert London, New York University ($60,000). Both of these projects aim at appraising and improving the quality of materials and teaching in a key area which students need to be informed about if they are to become enlightened citizens -- issues of war and peace in the nuclear age.

The two projects, though related in broad purpose, are different in approach and will result in different kinds of products. Dr. London will do a book-length analysis of curricular and instructional approaches now being used in the schools for what has come to be called "Nuclear Education." By examining the content, and the effects of present education strategies upon children and their understanding of complex historical, geopolitical, and moral issues, Dr. London hopes to point the way to improvement.

The Ethics and Public Policy Center's proposal is to convene a national conference which will bring together 100 to 150 educators with a distinguished collection of statesmen, scientists, and defense experts to explore the historical background of international politics, the geographic base of international politics, and various approaches to international questions, armaments and the balance of power, arms control, and related topics. Presentations at the conference will be the basis of a handbook which will be made available to teachers, social studies directors, and other education professionals.

Mr. Conte: A couple of other grants are funded to promote choice, which I take to be the idea of vouchers for Chapter 1 funding. Are these grants providing funding for outside groups to lobby for vouchers -- is that what's going on here?

One of the grants is to a group called the Clearinghouse on Educational Choice, to publish a newsletter called Choice. We've been getting that newsletter now for a few months, and one, they don't mention funding from the Department of Education and second, they have instituted a $30 a year subscription fee for a 4 page newsletter published 11 times a year, on top of the $62,650 they are getting from the Federal government. Doesn't this sound a little peculiar to you?

Mr. Davenport: A number of the grants made as part of the Content, Character, and Choice competition support the dissemination of research findings and other information to the public.

None is directly concerned with The Education And Choice (TEACH) legislation amending Chapter 1, nor is any engaged in lobbying activities. The grantees in the choice area, taken as a group, have as their purpose to collect, analyze, and disseminate information about various means of providing parents greater opportunity to select educational services they deem most appropriate for their children.

That the Clearinghouse on Educational Choice has instituted a subscription fee is not in the least bit peculiar. The Federal grant does not cover the whole cost of publishing the newsletter, and we hope that when no more Federal support is available, this valuable service will continue on a subscription basis. Indeed, only one of the issues published so far was supported by the grant.

Mr. Conte: There is also a discretionary fund under the Excellence in Education program, which received $5 million in FY 1985 and $2.5 million in FY 1986. When we checked last year, no plans had been made as to how to spend the $1 million in Discretionary Funds made available in FY 1985 (but which is no year money). What ever happened to that $1 million in Discretionary Funds? How much in discretionary funding is available in FY 1986, and what plans do you have for that money?

Mr. Davenport: We are planning research, evaluation, and dissemination activities with both fiscal year 1985 funds ($1,000,000) and fiscal year 1986 funds ($598,000). They include:

- A report on what is known about improving the quality of schooling in each of the priority areas described in the Title VI grant announcement, such as improving students' attendance and discipline, increasing learning time, and increasing parental involvement.

- A series of reports on how schools overcome obstacles to improvement. These will be based on case studies, anecdotal information, and literature reviews.

- A report on the nature, fiscal support, and extent to which Federal and State level legislation actually influences the presence and nature of reform at the district and school level.

In addition we will form the monitoring committee required by the law, and it will not only follow the progress of the excellence awards, but also the studies just described.

TEACHER TRAINING AND IMPROVEMENT

Mr. Conte: With regard to the Secretary's Teacher Training initiative, what happens if the new proposed legislation is not approved by the time we mark up our bill, what are we supposed to do then in relation to the Science and Mathematics Education program?

Mr. Davenport: The Department is assuming that the Teacher Training bill will be enacted this year and will work to see that

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this occurs. We have no alternative proposal for Science and Mathematics Education.

SCIENCE AND MATHEMATICS EDUCATION

Mr. Conte: To what extent is the Department of Education's Math and Science Teacher Training program coordinated with similar programs funded out of the National Science Foundation?

Mr. Davenport: In fiscal year 1986, the Secretary's Discretionary Fund for Programs of National Significance made only three awards. These were for the television series 3-2-1 Contact!, The Voyage of the Mimi, and a new series on mathematics. All are jointly funded with the National Science Foundation (NSF).

Activities more directly aimed at training teachers, such as the Christa McAuliffe Scholars program, will use NSF expertise and advice where appropriate and will not duplicate what NSF is doing.

Mr. Conte: With respect to discretionary funds under the math and science program the justification states that all available funds will be used to provide a second year of funding to educational television programming, yet I noticed that on January 6, 1986, the Department published a notice in the Federal Register listing its priorities under this program, and indicating that awards in the range of $50,000 to $150,000 will be made under this program. Could you explain?

Mr. Davenport: The congressional justification is correct; in fiscal 1986 about $3 million in funds remained in the Secretary's Discretionary program for Mathematics, Science, Computer Learning and Critical Foreign Languages after sequestration and was used to support three educational television programs in math and science-- 3-2-1 Contact!, The Voyage of the Mimi, and a new math series.

The notice to which your question refers was an announcement of final priorities for a math, science, computer learning, and critical foreign languages grant competition for fiscal year 1985 funds for which a notice of closing had previously been published. This announcement was necessary as a formality to allow us to make grants under that competition. It did not represent the announcement of a new competition, nor does it in any way relate to support for the educational television programs just described.

CHRISTA MCAULIFFE SCHOLARS PROGRAM

Mr. Conte: Where will the Christa McAuliffe Teacher Training Fund be funded from, and how does this relate to the action taken by the Education and Labor Committee to rename the as-of-yet unfunded Talented Teacher program after the late teacher-astronaut? Do we have a potential conflict developing here as to what program will be used as a memorial to Ms. McAuliffe?

Mr. Davenport: The competition which Secretary Bennett announced for the Christa McAuliffe Scholars program prior to the congressional action renaming the Talented Teacher Fellowship program will support summer institutes for teachers. It will be undertaken with funds set aside from the FY 1985 appropriation for the Secretary's Discretionary Fund under the Science and Mathematics program, Title II of the Education for Economic Security Act. In future years, similar activities would be funded under the proposed Teacher Training and Improvement Act which would expand the Science and Mathematics program to all subject areas. The Talented Teacher Program, now called the Christa McAuliffe Talented Teacher Fellowship program, authorizes fellowships for outstanding teachers. While there would be no conflict between the two authorities, we have not proposed funding for the fellowship program because of the funds available for undergraduate and graduate study under the Student Financial Assistance program; nor would we support a new categorical program, particularly in this time of fiscal restraint. The Christa McAuliffe Scholars program, on the other hand, will be funded initially with funds already appropriated, and later under a broader authority which replaces the existing Science and Mathematics program.

SCIENCE AND MATHEMATICS EDUCATION

Mr. Conte: Will you do the same for the record on the Math and Science program as I asked you to do on Chapter 2, which is to provide as much information as you have on how funds made available to the State of Massachusetts have been used, as an example of what information you have available on how this money is being spent?

Mr. Davenport: Under the statute, 70 percent of the funds made available to each State for Science and Math must be used for elementary and secondary programs and 30 percent must be used for higher education programs.

In the elementary and secondary program, 70 percent of the money is distributed to local educational agencies (LEAs) by formula -- half according to school-age enrollment and half according to the number of children who meet Chapter 1 poverty criteria. LEAs must first use this money for teacher inservice training and retraining. Only after they have met their training and retraining needs can they apply to the State to use funds for foreign language instruction or computer learning, or to buy materials and equipment. Because the program is still in its first year of operation, we have no information yet on the extent to which Massachusetts LEAs are using funds for purposes other than teacher training and retraining.

States must use at least 20 percent of their elementary and secondary money for demonstration and exemplary projects. Massachusetts is using these funds for dissemination of exemplary project materials, publication of booklets and newsletters describing exemplary programs, workshops and conferences to promote exemplary practices, and special demonstration projects in mathematics, science, foreign languages, and computer learning for the historically underserved and the gifted and talented. At the State level, State educational agencies are required to use 5 percent of their elementary and secondary money for technical assistance and may use up to 5 percent for administration and evaluation.

Massachusetts is carrying out the technical assistance function through curriculum conferences, publications, regional workshops, and consultative assistance provided on-site.

States must use at least 75 percent of the money they receive for higher education for competitive grants to institutions of higher education. In Massachusetts, these grants are supporting in-service training programs for science and math teachers to strengthen their subject matter understanding and teacher skills, development of regional networks to integrate new technologies into math and science programs, and development of innovative graduate programs to train individuals with degrees in math and science to become certified teachers.

An additional 20 percent of each State's higher education money must be used for cooperative programs carried out by different types of institutions to improve student understanding and performance in science, mathematics and critical foreign languages. In Massachusetts, these funds are being used to develop and disseminate model programs aimed at the gifted and talented, women, and minorities.

Up to 5 percent of the State's higher education money may be used for administration and evaluation.

Mr. Conte: What effect do the math and science amendments passed last year have on the program administered by the Department?

Mr. Davenport: The bill made amendments to Title II of EESA, the Science and Mathematics Education program. Most of these amendments were very technical in nature, clarifying some points that had been obscure in the original legislation. The only substantive change made by the amendments was to reduce the proportion of the Science and Mathematics appropriation set aside for the Secretary's Discretionary Fund from 9.9 percent to 9 percent. Otherwise, the amendments had no impact on the Department's operation of the program.

Mr. Conte: Didn't that act take one of the programs that had originally been slated to be administered by NSF and put it under the jurisdiction of the Department of Education?

Mr. Davenport: Yes. The National Science Foundation Authorization Act for Fiscal Year 1986 transferred responsibility for administering Title III of the Education for Economic Security Act (EESA) -- the program of Partnerships in Education for Mathematics, Science, and Engineering -- from the National Science Foundation to the Department of Education. No funds have been appropriated for this program.

CLOSE UP

Mr. Conte: Given the Secretary's emphasis on civic education, why do you continue to zero out Close Up, and why isn't that an effective vehicle for the Department to be involved in providing an education to school children about the workings of our democratic system of government?

Mr. Davenport: The Close Up Foundation's program is indeed an excellent vehicle for providing an education to school children about the workings of our democratic system of government. The Department continues to zero out funding for Close Up because Federal financial support of the program is no longer necessary.

FOLLOW THROUGH

Mr. Conte: Even though funding for Follow Through has decreased very significantly from 1982, when a plan to phase it out over three years was put into place, from what I believe was a level of $60 or $70 million to its current level of $7.5 million, there continues to be pressure to continue funding it at that negligible level. Why don't you give us a list of places that still receive funding under Follow Through, and maybe that will give us some clues as to why this program continues to linger long after its expected demise?

Mr. Davenport: Fiscal year 1985 grantees for the Follow Through program are as follows. The Follow Through project grants ranged from $33,151 to $570,482, the average being $134,438. Resource center grants ranged from $25,829 to $80,432, the average being $39,032. Sponsor grants ranged from $32,545 to $90,920, the average being $54,239. All of the current grantees have received Follow Through awards for at least the past nine years.

Grants to Local Educational Agencies (LEAs) for Follow Through Projects

Grantee/Location

Huntsville Board of Education
Huntsville, Alabama

Macon County Board of Education
Tuskegee, Alabama

Hopi Tribe
Kykotsmovi, Arizona

Tucson Unified School District #1
Tucson, Arizona

Flippin Follow Through
Flippin, Arizona

Jonesboro Public Schools
Jonesboro, Arkansas

Garvey School District
Rosemead, California

Oakland Unified School District
Oakland, California

Grantee/Location

New Haven City Board of Education
New Haven, Connecticut

District of Columbia Public Schools
Washington, D.C.

Dade County School Board
Miami, Florida

Duval County School Board
Jacksonville, Florida

Hillsborough County School Board
Tampa, Florida

Okaloosa County School Board
Crestview, Florida

*Atlanta Board of Education
Atlanta, Georgia

Hawaii State Department of Education
Honolulu, Hawaii

Grantee/Location

San Diego Unified School
District
San Diego, California

*Tulare City School
District
Tulare, California

Boulder Valley Public
School #2
Boulder, Colorado

*Indianapolis Public Schools
Indianapolis, Indiana

Lawrenceburg Community
Schools
Lawrenceburg, Indiana

Vincennes Community School
Corp.
Vincennes, Indiana

*Waterloo Community School
District
Waterloo, Iowa

Owensboro Board of
Education
Owensboro, Kentucky

Pike County Board of
Education
Pikeville, Kentucky

Cambridge School Department
Cambridge, Massachusetts

Fall River Public Schools
Fall River, Massachusetts

Detroit City Board of
Education
Detroit, Michigan

*Flint City School District
Flint, Michigan

*Montevideo Indep. School
District #129
Montevideo, Minnesota

Gulfport Municipal Separate
Schools
Gulfport, Mississippi

Grantee/Location

School District #25
Pocatello, Idaho

Chicago City Board of
Education
Chicago, Illinois

*Waukegan Community Unit
School
Waukegan, Illinois

New Madrid County R-1
Enlarged
New Madrid, Missouri

*Northern Cheyenne Tribe
Lame Deer, Montana

*Trenton Board of Education
Trenton, New Jersey

*Las Vegas City Schools,
District #2
Las Vegas, New Mexico

Zuni Public School District
Zuni, New Mexico

*New York City Board of
Education
Brooklyn, New York

Plattsburgh City School
District
Plattsburgh, New York

Cherokee Tribal Council
Cherokee, North Carolina

Goldsboro City Schools
Goldsboro, North Carolina

*Dayton Public Schools
Dayton, Ohio

*Philadelphia School District
Philadelphia, Pennsylvania

Puerto Rico State Department
of Education
Hato Rey, Puerto Rico

*McCormick County School
District
McCormick, South Carolina

Grantee/Location

*Leflore County School
District
Greenwood, Mississippi

Mississippi Band/Choctaw
Indians
Philadelphia, Mississippi

*Kansas City School
District
Kansas City, Missouri

Uvalde Consolidated Indep.
School District
Uvalde, Texas

*Richmond Public Schools
Richmond, Virginia

Tacoma School
District #10
Tacoma, Washington

Grantee/Location

Williamsburg County Schools
Kingstree, South Carolina

Metro Nashville Public
Schools
Nashville, Tennessee

San Diego Independent School
District
San Diego, Texas

Randolph County Board of
Education
Elkins, West Virginia

Lac Du Flambeau School
District #1
Lac Du Flambeau, Wisconsin

*These LEAs also receive an additional grant for a Follow Through Resource Center.

Follow Through Sponsors

Grantee/Location

University of Arizona
Tucson, Arizona

Far West Laboratory
for Education
San Francisco, California

Clark College
Atlanta, Georgia

University of Georgia
Athens, Georgia

Northeastern Illinois
University
Chicago, Illinois

University of Kansas
Lawrence, Kansas

High/Scope Education
Research Foundation
Ypsilanti, Michigan

Grantee/Location

Bank Street College of
Education
New York, New York

Fordham University
Bronx, New York

University of North Carolina
Chapel Hill, North Carolina

University of North Dakota
Grant Forks, North Dakota

University of Oregon
Eugene, Oregon

University of Pittsburgh
Pittsburgh, Pennsylvania

Southwest Education Dev.
Laboratory
Austin, Texas

Hampton University Nongraded
Model
Hampton, Viriginia

LEADERSHIP IN EDUCATIONAL ADMINISTRATION (LEAD)

Mr. Conte: What plans do you have to initiate the LEAD program to provide assistance to school administrators, and what do you think of the program?

Mr. Davenport: The Department is currently taking the necessary steps to operate the Leadership in Educational Administration (LEAD) program. Regulations have been drafted and are going through the review process. However, we feel that LEAD is a redundant categorical program. Its projects could be supported under the Chapter 2 block grant in 1986 or under our proposed Teacher Training and Improvement Act in 1987. These programs provide more flexibility in meeting current needs.

NATIONAL DIFFUSION NETWORK

Mr. Porter: Last year, you stated to this Committee that you thought the National Diffusion Network (NDN) was a wise use of Federal funds. Do you still feel this way, and do you plan to continue this important program?

Mr. Davenport: Yes, I feel that the NDN program does a good job of disseminating program information and we intend to continue the program in fiscal year 1987.

Mr. Porter: Does the Department favor a separate authorization for NDN?

Mr. Davenport: The NDN program is presently funded under the authorization of the Chapter 2 Secretary's Discretionary Fund. I feel it would be unwise to authorize it as a separate categorical program.

Mr. Porter: In accordance with the report language in last year's bill, are you prepared to report to this Committee on the Department's efforts to expand NDN programs?

Mr. Davenport: The report you mention has already been delivered to the Committee. In it we have reported on our activities regarding the dissemination of exemplary math and science projects, as specified by the Committee. In 1986, NDN is operating 33 math/science projects and will undoubtedly fund some new projects in these areas since they are once again priority areas for 1986.

Mr. Porter: It is my understanding that the Joint Dissemination Review Panel has been dismantled or is about to be dismantled. Could you comment on the reasons for this and tell me what will replace the Joint Dissemination Review Panel?

Mr. Davenport: We are currently reviewing the NDN regulations and will soon be recommending some changes for both the program and for the Joint Dissemination Review Panel (JDRP). At this time, we do not have any plans for dismantling the JDRP, but we are considering ways by which it could be improved.

DEPARTMENT OF EDUCATION

Special Programs

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SPECIAL PROGRAMS

For carrying out the consolidated programs and projects authorized under chapter 2 of the Education Consolidation and Improvement Act of 1981, as amended, [$531,909,000] $528,909,000, of which [$31,909,000] $28,909,000 shall be for programs and projects authorized under subchapter D of said Act [, including $10,700,000 for programs and projects authorized under subsection 583(a)(1) of said Act; $6,052,000 shall be used for awards, which, except for educational television programming, are not to exceed a cumulative amount of $1,000,000 to any recipient for national impact demonstration or research projects; $7,000,000 for activities authorized under subsection 583(b)(1) of said Act; $3,157,000 for programs authorized under subsection 583(b)(2) of said Act; $3,000,000 for programs authorized under subsection 583(b)(3) of said Act; and $2,000,000 for activities authorized under subsection 583(b)(4) of said Act]:1/ Provided, That $500,000,000 to carry out the State block grant program authorized under chapter 2 of said Act shall become available for obligation on July 1, [1986] 1987, and shall remain available until September 30, [1987] 1988: Provided further, That funds made available to Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Republic of Palau shall be available only in amounts that such entities would have received had the Compact of Free Association not been enacted.2/

[For grants to State educational agencies and desegregation assistance centers authorized under section 403 of the Civil Rights Act of 1964, $24,000,000.]3/

[For carrying out activities authorized under title IX, part C of the Elementary and Secondary Education Act, $6,000,000.]3/

SPECIAL PROGRAMS -- Continued

[For carrying out activities authorized under section 1524 of the Education Amendments of 1978, $5,000,000.][3/]

[For carrying out activities authorized under section 1525 of the Education Amendments of 1978, $2,000,000.][3/]

[For carrying out activities authorized under Public Law 92-506, as amended, $1,700,000: *Provided*, That said sum shall become available on July 1, 1986, and shall remain available until September 30, 1987.][3/]

For carrying out the provisions of title VII of the Education for Economic Security Act, relating to magnet schools assistance, $75,000,000: *Provided*, That not more than $4,000,000 in the fiscal year may be paid to any single eligible local educational agency.

[For carrying out the provisions of title VI of the Education for Economic Security Act, $2,500,000 to remain available until expended.][3/]

[For carrying out activities authorized under the Follow Through Act, $7,500,000.][3/]

[For carrying out the provisions of title II of the Education for Economic Security Act, $50,000,000 to become available on July 1, 1986, and remain available until September 30, 1987.][3/]

[For carrying out the provisions of title IX of Public Law 98-558, $7,500,000, to become available July 1, 1986, and to remain available until September 30, 1987.][3/] *(Department of Education Appropriation Act, 1986.)*

[*Provided further*, That notwithstanding any other provision of this Act, amounts otherwise provided by this Act for the following accounts and activities are reduced by the following amounts:]

SPECIAL PROGRAMS -- Continued

[SPECIAL PROGRAMS]

["National impact demonstration or research projects (except educational television programming) authorized under subchapter D of chapter 2 of the Education Consolidation and Improvement Act of 1981", $3,000,000;]

["Activities authorized by title II of the Education for Economic Security Act", $5,000,000;] (Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriation Act, 1986.) 4/

[Sec. 128. Upon enactment of the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriation Act, 1986, the amount provided therein for the Secretary of Education's discretionary fund for programs of national significance (from sums appropriated for carrying out title II of the Education for Economic Security Act) shall immediately become available for obligation.] 5/ (Public Law 99-190, making continuing appropriations for fiscal year 1986.)

Explanation of Language Changes

1/ Although at this time the Department estimates it will fund these mandated programs at their 1986 enacted levels, this language is deleted in order to give the Department more flexibility over the use of discretionary resources.

2/ This language is included in order to prevent the other Outlying Areas from receiving a windfall after the Trust Territory of the Pacific Islands, except for the Republic of Palau, withdraws from program participation under the Compact of Free Association.

3/ Elimination of specific references to several programs is proposed because the request does not include funds for these programs. For the most part, their activities may be carried out under the State Block Grant program or the proposed Teacher Training and Improvement State Grant program.

4/ In 1986, the Congress included this language to override funding levels approved elsewhere in the Department of Education Appropriation Act. There is no need to retain this language for 1987.

Special Programs

Explanation of Language Changes -- Continued

5/ This one-time provision, which permitted the timely continuation of support for three educational television series under the Science and Mathematics Discretionary Fund, is no longer needed. No funds are requested for the Science and Mathematics program in 1987.

Special Programs

Language Analysis

Language Provision	Explanation
...Provided, That $500,000,000 to carry out the State block grant program authorized under chapter 2 of said Act shall become available for obligation on July 1, [1986] 1987, and shall remain available until September 30, [1987] 1988:...	This provision provides for forward funding for the State Block Grant program as permitted in the authorizing statute.
...Provided further, That funds made available to Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Republic of Palau shall be available only in amounts that such entities would have received had the Compact of Free Association not been enacted....	This provision would prevent the other Outlying Areas from receiving a windfall after the Trust Territory of the Pacific Islands, except for the Republic of Palau, withdraws from program participation under the Compact of Free Association.
...[For carrying out activities authorized under Public Law 92-506, as amended, $1,700,000: Provided, That said sum shall become available on July 1, 1986, and shall remain available until September 30, 1987.]	This provision in the 1986 appropriation permitted funding of the Ellender Fellowship program on a forward funded basis.
For carrying out the provisions of title VII of the Education for Economic Security Act, relating to magnet schools assistance, $75,000,000: Provided, That not more than $4,000,000 in the fiscal year may be paid to any single eligible local educational agency...	Under this provision, no grantee under the Magnet Schools Assistance program may receive more than $4,000,000 of fiscal year 1987 funds.

Special Programs

Language Analysis -- Continued

Language Provision	Explanation
[Sec. 128. Upon enactment of the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriation Act, 1986, the amount provided therein for the Secretary of Education's discretionary fund for programs of national significance (from sums appropriated for carrying out title II of the Education for Economic Security Act) shall immediately become available for obligation.]	This language, included in the fifth Continuing Resolution for fiscal year 1986, made the funds appropriated for the Science and Mathematics Discretionary Fund immediately available for obligation, in order to permit the timely continuation of Federal support for three educational television series.

Special Programs

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual....................	$653,109,000	$713,109,000	$678,909,000 1/
Reduction (P.L. 99-178)..	---	-8,000,000	---
Sequester order..........	---	-30,320,000	---
Proposed rescission......	---	-37,782,000	---
Subtotal, adjusted appropriation.......	653,109,000	637,007,000	678,909,000
Comparative transfers from:			
Science and Mathematics Education...............	100,000,000	---	---
Excellence in Education Program................	5,000,000	---	---
Subtotal, adjusted budget authority................	758,109,000	637,007,000	678,909,000
Unobligated balance, start of year..................	---	10,578,000	---
Unobligated balance, end of year..................	-10,578,000	---	---
Total obligations.....	747,531,000 2/3/	647,585,000	678,909,000

1/ Request for Teacher Training and Improvement pending submission of proposed legislation.

2/ The total obligations at the end of fiscal year 1985 include $5,696,000 contingently obligated under court order.

3/ Excludes reimbursements of $469,000 for educational television programming financed in Science and Engineering Education Activities, National Science Foundation.

Special Programs

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. Improving school programs:				
(a) State block grants..........	$500,000,000	$478,500,000	$478,500,000	$500,000,000
(b) Secretary's discretionary fund......................	28,909,000	27,666,000	27,666,000	28,909,000
Subtotal...............	528,909,000	506,166,000	506,166,000	528,909,000
2. Teacher training and improvement:				
(a) State grants.................	---	---	---	60,000,000
(b) Secretary's discretionary fund......................	---	---	---	15,000,000
(c) Science and mathematics education State grants....	40,950,000	39,190,000	39,190,000	---
(d) Science and mathematics Secretary's discretionary fund......................	4,050,000	3,876,000	3,876,000	---
(e) Territorial teacher training..................	2,000,000	1,914,000	---	---
(f) Leadership in educational administration (LEAD).....	7,500,000	7,177,000	---	---
Subtotal...............	54,500,000	52,157,000	43,066,000	75,000,000
3. Excellence in education.........	2,500,000	2,392,000	---	---
4. Magnet schools assistance.......	75,000,000	71,775,000	71,775,000	75,000,000
5. Women's educational equity......	6,000,000	5,742,000	---	---
6. Training and advisory services..	24,000,000	22,968,000	16,000,000	---

Special Programs

Budget Authority by Activity -- Continued

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
7. General assistance to the Virgin Islands.................	5,000,000	4,785,000	---	---
8. Ellender fellowships............	1,700,000	1,627,000	---	---
9. Follow through..................	7,500,000	7,177,000	---	---
Total...............	705,109,000	674,789,000	637,007,000	678,909,000

NOTES

2(e). Reflects a proposed rescission of $1,914,000 for Territorial Teacher Training.

2(f). Reflects a proposed rescission of $7,177,000 for Leadership in Educational Administration (LEAD).

3. Reflects a proposed rescission of $2,392,000 for Excellence in Education.

5. Reflects a proposed rescission of $5,742,000 for Women's Educational Equity.

6. Reflects a proposed rescission of $6,968,000 for Training and Advisory Services.

7. Reflects a proposed rescission of $4,785,000 for General Assistance to the Virgin Islands.

8. Reflects a proposed rescission of $1,627,000 for Ellender Fellowships.

9. Reflects a proposed rescission of $7,177,000 for Follow Through.

Special Programs

Budget Authority by Object

	1985	1986	1987
Other services:			
Project contracts..........	$23,448,000	$17,807,000	$12,338,000
Grants, subsidies, and contributions..............	734,661,000	619,200,000	666,571,000
Total budget authority by object..................	758,109,000	637,007,000 1/	678,909,000 2/

1/ Reflects a reduction of $30,320,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; and a proposed rescission of $37,782,000.

2/ Request for Teacher Training and Improvement pending submission of proposed legislation.

Special Programs

Summary of Changes

1986 Estimate	$705,109,000
1986 Sequester order	-30,320,000
1986 Proposed rescission	-37,782,000
Total estimated budget authority	637,007,000
1987 Request	678,909,000
Net change	+41,902,000

	1986 base 1/	Change from base
Increases:		
Program:		
1. Increase in funding for the Chapter 2 Block Grant to support additional activities at the State and local levels	$478,500,000	+$21,500,000
2. Increase in funding for the Chapter 2 Secretary's Discretionary Fund to support additional educational improvement activities of national significance	27,666,000	+1,243,000
3. Establish program of State grants for Teacher Training and Improvement to support a variety of State and local initiatives	—	+60,000,000 2/
4. Establish Secretary's Discretionary Fund for Teacher Training and Improvement to support nationally significant initiatives	—	+15,000,000 2/
5. Increase in funding for Magnet Schools Assistance to support additional school desegregation and improvement efforts	71,775,000	+3,225,000
Subtotal		+100,968,000
Decreases:		
Program:		
1. Decrease for State grants for Science and Math Education, which would be replaced by a broader and more flexible Teacher Training and Improvement program	39,190,000	-39,190,000

Special Programs

Summary of Changes -- Continued

	1986 base	Change from base
Decreases:		
Program:		
2. Decrease for the Science and Math Secretary's Discretionary Fund, to be replaced by the broader and more flexible Teacher Training and Improvement discretionary fund....	$3,876,000	-$3,876,000
3. Decrease in Training and Advisory Services to complete the two-year phase out of direct Federal support............................	16,000,000 3/	-16,000,000
Subtotal....................		-59,066,000
Net change.................		+41,902,000

1/ Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

2/ Request pending submission of proposed legislation.

3/ Reflects a proposed rescission of $6,968,000.

Special Programs

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. Improving school programs:	ECIA, Chapter 2	Indefinite	Indefinite
(a) State block grants	ECIA, Chapter 2, Subchapters A,B, and C	Indefinite	Indefinite
(b) Secretary's discretionary fund	ECIA, Chapter 2, Subchapter D	1/	1/
2. Teacher training and improvement:			
(a) State grants	Proposed Legislation	---	To be determined
(b) Secretary's discretionary fund	Proposed Legislation	---	To be determined
(c) Science and mathematics State grants 2/	EESA, Title II, Sections 203 and 204(c)	$400,000,000 3/	$400,000,000 3/
(d) Science and mathematics Secretary's discretionary fund	EESA, Title II, Section 212	3/	3/
(e) Territorial teacher training	P.L. 95-561, Section 1525	2,000,000	2,000,000
(f) Leadership in educational administration (LEAD)	P.L. 98-588, Title IX	20,000,000	20,000,000
3. Excellence in education	EESA, Title VI	16,000,000	16,000,000
4. Magnet schools assistance	EESA, Title VII	75,000,000	75,000,000
5. Women's educational equity	ESEA, Title IX-C	12,000,000	14,000,000
6. Training and advisory services	CRA, Title IV	Indefinite	Indefinite
7. General assistance to the Virgin Islands	P.L. 95-561, Section 1524	5,000,000	5,000,000

Special Programs

Authorizing Legislation -- Continued

Activity	Legislative Citation	1986 Authorized	1987 Authorized
8. Ellender fellowships	P.L. 92-506	$2,000,000	$2,000,000
9. Follow through	Follow Through Act	7,500,000	--- 4/
Unfunded authorization:			
Partnerships in education for mathematics, science, and engineering	EESA, Title III	50,000,000	50,000,000
Total definite authorization...........		589,500,000	584,000,000

1/ Section 563(a) of the Education Consolidation and Improvement Act authorizes the Secretary to reserve an amount not to exceed 6 percent of the sums appropriated for Chapter 2.

2/ Includes Territories and Indian schools.

3/ A total of $400,000,000 is authorized for Science and Mathematics Education, including $364,000,000 for State grants and $36,000,000 for the Secretary's discretionary fund.

4/ Authorization is repealed at the end of fiscal year 1986.

Special Programs

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation 1/
1977	$671,818,000	$763,431,000	$843,272,000	$825,972,000
1978	828,850,000	834,382,000	899,285,000	889,811,000
1979	858,621,000	910,345,000	949,671,000	934,431,000
1980	732,975,400	945,993,000	910,377,000	896,076,000
1981	581,920,000	709,014,000	531,154,000	614,471,000
1982	471,280,000	610,335,000	545,250,000	536,880,000
1983	433,000,000	538,920,000	530,080,000	534,500,000
1984	528,879,000	577,786,000	528,367,000	528,367,000
1985	778,879,000	713,559,000	854,309,000	758,109,000
1985 Proposed Rescission	-80,000,000	—	—	—
1986	647,909,000	655,609,000	755,609,000	705,109,000
1986 Sequester	-30,320,000			
1986 Proposed Rescission	-37,782,000			
1987	678,909,000 2/			

1/ Reflects enacted supplementals, rescissions, and reappropriations.

2/ Teacher Training and Improvement request of $75,000,000 pending submission of proposed legislation.

Special Programs

Significant Items in Congressional Appropriations Reports

Item	Action taken or to be taken
1986 House Report	
Terms used in reporting administrative expenses	
The Department of Education is directed to define widely-used educationaly terms so that the actual use of Federal money in this Federal educational program [Chapter 2 block grants] can be determined....The Department should report to the Committee the manner by which they will be more accountable for the use of Federal funds for these activities by February 15, 1986.	The Department's data collection authority under Chapter 2 is limited, and it would be very difficult to increase reporting requirements for the States. If sufficient funds are available in 1986, the Department will conduct a study of SEA use of Chapter 2 funds in a sample of States. This study will provide some common expenditure categories. In addition, the Department is in the process of synthesizing information on State expenditures from State Chapter 2 reports. This information will be provided to the Committees shortly.
Expansion of NDN Programs in Science and Mathematics	
The Secretary should report back to the Committee on the results of the Department's efforts in expanding the National Diffusion Network Programs [in math and science] during 1986 prior to the fiscal 1987 appropriations hearings.	Math and Science will again be included as NDN priority funding areas for fiscal year 1986. A follow-up report on NDN's math and science projects will be sent to the Committee in March.
Magnet Schools	
It is the intent of the Committee that the receipt or non-receipt of fiscal year 1985 grant funds shall be only one of the considerations in the award of fiscal year 1986 grant funds.	All Fiscal year 1986 funds are being awarded on a noncompeting basis for the second year of two-year grants originally awarded in 1985. Funds requested for 1987 will be used for a new competition.

Special Programs

Significant Items in
Congressional Appropriations Reports — Continued

Item	Action taken or to be taken
1986 House Report — Continued	
Study of science and engineering education	
The Committee recognizes that many Federal agencies, including the Department of Defense and the Department of Education, fund a large number of programs to support the study of science and engineering. The Committee urges the Secretary of Education to coordinate a study in conjunction with these agencies to assess the Federal role in this sector of the American educational system and report back to the Committee by February 1, 1986 with recommendations on how Congress can better coordinate and strengthen these efforts.	The National Science Foundation monitors new additions to the supply of scientists and engineers in the labor force. This includes preparation of the biennial congressionally mandated reports, Science Indicators and Women and Minorities in Science and Engineering. The Department of Education assists NSF through its administration of the Survey of Earned Degrees Conferred and its sponsorship, with other agencies, of the Survey of Earned Doctorates. These efforts to stay abreast of changes in the supply of trained scientific personnel will continue.
1986 Senate Report	
Educational television	
The Committee commends the Department for its continuing utilization of television in helping to carry out its science and mathematics education mandates. The Committee intends that this use of television be continued and, where possible, expanded, and encourages the Secretary to allocate additional resources from the Secretary's discretionary accounts for this purpose, to the greatest possible extent.	The Department is using all of the $2,907,000 available at the 1986 post-sequestration level for science and mathematics discretionary projects to provide a second year of funding for three children's educational television series.

Special Programs

Significant Items in Congressional Appropriations Reports -- Continued

Item	Action taken or to be taken
1986 Senate Report -- Continued	
WEEA Program	
The Committee directs, therefore, that an independent evaluation of the Women's Educational Equity Act [WEEA] Program be conducted to address such concerns as: How effectively does WEEA meet its goals of promoting educational equity for women and girls in education; how should WEEA be modified or changed to address changing needs of educational equity; should the program continue in the future; and how successful is WEEA in promoting its goals in comparison with other Department of Education programs with similar goals (including cost comparisons) at all educational levels.	A final report will be forwarded to the Committees shortly.
1985 House Report	
National Diffusion Network	
The Committee directs the Secretary to discover and promote innovative programs in math and science education to the Nation's elementary and secondary teachers and report back on these programs prior to the fiscal year 1986 appropriations hearings.	A final report on innovative math and science projects was submitted to the Committee in April 1985.
1985 Conference Report	
Priority for Ongoing 1984 Projects	
"With the funds earmarked for each of the programs within the Secretary's Discretionary Fund and the Special Programs outside the Chapter 2 Block Grant, the Department is directed to apply the funds first to the ongoing 1984 projects and activities that	Fiscal year 1985 funds were used to fund fiscal year 1984 projects. In December 1985, Judge Aspen released the fiscal year 1984 funds that were under restraint. He ordered that a total of $3,726,459 be awarded

Special Programs

Significant Items in Congressional Appropriations Reports -- Continued

Item	Action taken or to be taken
Priority for Ongoing 1984 Projects -- Continued	
have not received the full amount of their funding commitments due to the freeze on fiscal year 1984 funds in effect as a result of ongoing litigation. Should the frozen 1984 funds subsequently be released, the conferees direct that those funds shall be used to repay the advances made from 1985 funds."	to the Chicago School Board under Title IV, Follow Through, and the Secretary's Discretionary Fund. Accounting adjustments have been made so that the remainder of the funds released by the Court can be used for awards for fiscal year 1985 projects.

Special Programs

Account Summary

	1985	1986	1987
1. Improving school programs:			
a. State block grants........	$500,000,000	$478,500,000	$500,000,000
b. Secretary's discretionary fund....................	31,909,000	27,666,000	28,909,000
Subtotal............	531,909,000	506,166,000	528,909,000
2. Teacher training and improvement:			
a. State grants	---	---	60,000,000 1/
b. Secretary's discretionary fund	---	---	15,000,000 1/
c. Science and mathematics State grants.............	90,100,000	39,190,000	---
d. Science and mathematics Secretary's discretionary fund............	9,900,000	3,876,000	---
e. Territorial teacher training.................	2,000,000	---	---
f. Leadership in educational administration (LEAD)...	---	--- 2/	---
Subtotal............	102,000,000	43,066,000	75,000,000
3. Excellence in education......	5,000,000	---	---
4. Magnet schools assistance....	75,000,000	71,775,000	75,000,000
5. Women's educational equity...	6,000,000	---	---
6. Training & advisory services.	24,000,000	16,000,000	---
7. General assistance to the Virgin Islands.............	2,700,000	---	---
8. Ellender fellowships.........	1,500,000	---	---
9. Follow through...............	10,000,000	---	---
Total budget authority..	758,109,000	637,007,000 3/	678,909,000

1/ Request pending submission of proposed legislation.

2/ Reflects a proposed rescission of $7,177,000.

3/ Reflects a reduction of $30,320,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; and a proposed rescission of $37,782,000.

Special Programs

Account Summary -- Continued

The Special Programs account includes State formula grant programs with an array of purposes and smaller discretionary grant programs designed to give Federal assistance in areas of national concern or to address needs of particular segments of the population. For 1987, the budget request for Special Programs is focused on those programs which support national, State, and local efforts at educational improvement.

The 1980's have marked a rebirth in national commitment to educational excellence. Spurning the mistakes and excesses of the past, the American people have committed themselves to a set of common-sense guiding principles for educational reform:

- Educational excellence will not be achieved through increased subsidies from Washington, but through the combined efforts of educators, parents, public officials, volunteers, and the private sector at the State and local levels. At these levels, taxpayers will be willing to pay more for education if they can be assured that more will be delivered in return.
- The cornerstone of educational reform must be a commitment that every student will gain a solid grasp of the academic basics and an understanding of the physical world, the human experience, and the beliefs and values that undergird our society.
- A good education can occur only in an orderly, crime-free environment.
- Educational improvement will be aided by a healthy competition between public and private institutions. If parents at all income levels can exercise some freedom of choice in the education of their children, schools will respond by working harder to provide quality services.
- One of the greatest challenges for the rest of this century will be to ensure that a corps of able teachers is available to educate our children. This will require a national effort to upgrade the status of teaching, encourage the best and brightest of our young people to enter the teaching profession, and offer opportunities for further education and renewal to those already in the profession.

The 1987 budget for Special Programs will support the national campaign for educational reform and excellence. The three major programs in this account -- Chapter 2 of the Education Consolidation and Improvement Act, a new Teacher Training and Improvement Initiative, and Magnet Schools Assistance -- support efforts in the States and local communities to improve educational quality. Reflecting the importance which the Administration accords Federal support for educational improvement, these three activities would receive a $58 million (9 percent) increase over the revised 1986 levels for the same or antecedent authorities.

Special Programs

Account Summary -- Continued

The State Block Grant program, authorized by Chapter 2 of the Education Consolidation and Improvement Act, provides aid to States to improve the quality of education for all children. For State and local educational agencies, Block Grant money represents a flexible, unencumbered resource which can be used in such critical areas as updating and improving curriculum materials, developing new programs for the gifted and talented, and meeting the costs of school desegregation. As such, the program is an ideal vehicle for State and local implementation of reforms such as those recommended by the National Commission on Excellence in Education.

The Chapter 2 Block Grant continues to be a high Administration priority. The 1987 budget request would raise the appropriation for the Block Grant by $21.5 million to the 1986 enacted level of $500 million. This will permit continuation of educational reform efforts underway at the State and local levels.

Chapter 2 also provides for a limited set-aside of discretionary funds to be used by the Secretary of Education for Federal-level activities that assist State and local educational agencies in improving elementary and secondary school programs. These activities address national priorities and include both congressionally mandated areas of concern and special initiatives in areas where Federal participation is appropriate. Four programs are mandated by the legislation: Inexpensive Book Distribution, Arts in Education, Alcohol and Drug Abuse Education, and Law-Related Education. Remaining funds are used for the National Diffusion Network and for initiatives to address unmet national needs.

The budget request for 1987 proposes to increase the Secretary's Discretionary Fund by $1.2 million to its 1986 enacted level of $28.9 million. At the present time the Department estimates that it will fund all of the mandated activities at their 1986 enacted levels. However, the Department continues to support legislation submitted in 1985 which would eliminate the minimum funding levels for the mandated programs, thereby giving the Secretary greater flexibility over the use of discretionary resources.

The proposed Teacher Training and Improvement Act is one of the Department's most important initiatives for 1987. This legislation would amend the existing Science and Mathematics Education program so that funds could be used to improve teaching in all subject areas and so that the program would be more flexible and less administratively cumbersome at all levels. This new activity would also replace two redundant categorical programs: Territorial Teacher Training and Leadership in Educational Administration (LEAD). Teacher Training and Improvement funds would be used for such activities as inservice education for teachers and administrators in order to improve their subject matter competence and professional skills; programs to attract qualified persons from outside the profession into teaching; and personnel exchange programs between business and education.

Special Programs

Account Summary -- Continued

For 1987, $75 million is requested for the new Teacher Training and Improvement program. This is a 74 percent increase over the revised 1986 levels for the three antecedent programs. Of this amount, $60 million would be used for State grants and $15 million for discretionary projects at the national level. Some teacher training discretionary funds would also be used to continue the new initiative, honoring Christa McAuliffe, to improve the competence of science and mathematics teachers.

Magnet Schools Assistance is the other program in this account for which 1987 funding is requested. Research has shown that magnet schools can be an effective means of achieving voluntary desegregation, improved educational quality, and an increase in the choices available to students. For these reasons, the budget proposes to increase funding for Magnet Schools Assistance by $3.2 million to the 1986 enacted level of $75 million.

The Special Programs account also includes a number of categorical programs that duplicate other activities and in some cases are not well designed to meet their objectives. These programs generally address narrow federally perceived priorities which may not be relevant to State and local needs. Furthermore, the programs impose costly administrative and paperwork burdens on States and local schools. These activities include Excellence in Education, Women's Educational Equity, Training and Advisory Services, General Assistance to the Virgin Islands, Ellender Fellowships, and Follow Through, as well as Territorial Teacher Training and LEAD. The budget proposes to terminate direct Federal support for all of these activities, except Training and Advisory Services, through a 1986 rescission of all remaining funds. For Training and Advisory Services, the budget would rescind $7 million in 1986 and would provide no funding in 1987.

Special Programs

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1. Improving school programs: a. State block grants
(Education Consolidation and Improvement Act of 1981, as amended,
Chapter 2, Subchapters A, B, and C)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$500,000,000	$478,500,000	$500,000,000	+$21,500,000

Purpose and Method of Operation

The State Block Grant program is authorized by Chapter 2 of the Education Consolidation and Improvement Act. Funds are used by States and local school districts to operate programs that improve elementary and secondary education for students in public and private schools. The programs are designed in accordance with State and local needs and priorities, rather than in response to federally imposed priorities and rules, as was the case with the programs consolidated into the block grant. In addition, the programs are carried out with a minimum of administrative requirements and paperwork, thereby freeing State and local school officials to concentrate on the education of children.

This is a forward funded program. Funds are available for obligation to the States from July 1 of the fiscal year for which they are appropriated through September 30 of the following fiscal year.

From the total amount of funds appropriated for Chapter 2, one percent is reserved for block grants to the five Outlying Areas. In addition, up to six percent of the total may be reserved for the Secretary's Discretionary Fund. The remainder is distributed according to the number of children ages 5 to 17 in each State. No State receives less than 0.5 percent of this remainder.

The State educational agency (SEA) may keep up to 20 percent of its block grant for activities at the State level. It then distributes at least 80 percent to its local school districts. This distribution is based primarily on public and private school enrollment; however, each State must devise further criteria to give additional weight for children whose education imposes a higher than usual cost to a school district.

Every three years, each State must submit an application for funds to the Secretary. The application describes the criteria the State will use to

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Purpose and Method of Operation -- Continued

distribute funds among local school districts and how it will allocate its 20 percent portion among three broad categories in the Act (subchapters A, B, and C). Each local school district desiring to participate submits an application to its SEA, describing the programs it intends to support and including provisions for serving private school children.

While the basic responsibility for administering the block grant rests with the SEA, each school district has complete discretion (subject to the broad provisions in the law) to determine how it will spend its funds.

Accomplishments

The fifth annual block grant awards will go out to all 50 States, the District of Columbia, Puerto Rico, and the five Outlying Areas (American Samoa, Guam, the Northern Marianas, the Virgin Islands, and the Trust Territory of the Pacific Islands) in July 1986.

Preliminary results from a recent national study by SRI International of the effects of local school district implementation of Chapter 2 show that the program is successfully achieving four of its five legislative goals. The study will report that: (1) local discretion in the use of Federal funds has been enhanced under Chapter 2; (2) most Chapter 2 funds are being used in some way to achieve educational improvement; (3) administrative burden has either been reduced from what it was under the antecedent programs or, where it was previously low, remained the same; and (4) more private school students have benefitted from the programs or activities. However, the goal of increasing parent and citizen involvement in Chapter 2 decision-making at the local level does not appear to have been realized.

Overall, LEAs tend to spend most of their Chapter 2 funds (59 percent) on equipment, books, other materials, and supplies (with about half of such expenditures for computer hardware and software), on salaries and stipends for classroom and special teachers (14 percent) and on teacher training and staff development (5 percent). Computer-related purchases and teacher training were the most frequent educational improvement-related applications of Chapter 2 funds. Seventy-two percent of the districts studied used some of their Chapter 2 funds to purchase computers and computer software. These computers were used frequently and for instruction, not administrative purposes. One-third of the districts used Chapter 2 for staff development, and almost all of this training was aimed at teachers.

Regarding the impact of Chapter 2 on reducing administrative burdens, a majority of districts (57 percent) indicated that the administrative burdens were smaller than under the antecedent programs, while 38 percent

Accomplishments -- Continued

thought the burdens were the same. Only 5 percent reported that the burdens were greater. Many of the districts reporting no change in burden had not participated in any antecedent programs except ESEA, Title IV-B, a program that was not very burdensome. Other districts reporting no change were large districts that reported less paperwork, but more time consulting with schools, so the type of burden had changed.

Regarding private school student participation, about 75 percent of districts with eligible private schools provide services to such students. Students in about 64 percent of eligible private schools participate. Most private schools are in the larger school districts. Non-delivery of Chapter 2 programs or services to private school students does not appear to be due to a lack of outreach by the public sector; rather, eligible private sector schools are generally aware of Chapter 2, but many decide not to provide Chapter 2 services, primarily out of a philosophical opposition to involvement in government programs or because of the small amount of services available to them through the program. Most of the Chapter 2 services that go to private schools are in the form of library acquisitions, instructional materials or equipment, or computer applications. Few services involve curriculum development, student support services, or staff development.

Finally, direct parental and citizen involvement at the local level in decisions as to how to spend Chapter 2 funds does not appear to be extensive, although indirect influence of parents or citizens on Chapter 2 decision-making does exist.

A sizable amount of Federal education funds is granted to SEAs for their own use. At the current funding level of $478.5 million, SEAs may retain a national total of $95.7 million. Prior to Chapter 2, SEAs received $50.8 million under ESEA Title V-B as well as administrative set-asides under several antecedent programs. The Department of Education will conduct a small study of Chapter 2 SEA programs in FY 1986. The study will develop categories for analysis, provide descriptive information for several States, and analyze design requirements for a larger national study.

Based on State Chapter 2 applications, several facts about SEAs' uses of funds are currently known:

- o SEAs use 2-3 percent of the total State allocation (i.e., 13 percent of the State set-aside) to administer Chapter 2. In FY 1983, SEAs retained $89.2 million; of that amount, about $11.5 million was used for Chapter 2 administration.

Accomplishments -- Continued

- SEAs generally spend most of their remaining Chapter 2 set-aside funds under the Subchapter B purpose of strengthening SEA management (the antecedent ESEA Title V-B program).
- SEAs support an extremely diverse array of activities with Chapter 2 funds.

1987 Budget Proposal

For fiscal year 1987, $500,000,000 is requested for State Block Grants, an increase of $21,500,000 over the 1986 appropriation after sequestering. The 1987 budget for this activity would continue funding at the 1986 appropriation level.

In "A Nation at Risk," the National Commission on Excellence in Education documented the seriously deficient condition of this country's educational system and recommended a number of sweeping reforms. It is the Federal Government, the Commission said, that has "the primary responsibility to identify the national interest in education" and "to help fund and support efforts to protect and promote that interest." The Chapter 2 Block Grant program continues to be the best vehicle for providing Federal support for many of the reforms called for by the Commission on Excellence and other groups.

In 1985, the Department proposed an amendment that will give the Secretary authority to waive the supplement/not supplant requirement under certain circumstances. The Administration has encouraged States in their efforts to pass new laws that promote major reforms and establish higher standards for State elementary and secondary schools. Although the Chapter 2 block grant is the ideal source of Federal money to help States and local school districts achieve these reforms, the statute prohibits them from using Chapter 2 funds to meet State and local laws and standards. The proposed amendment will help alleviate this inconsistency.

Impact Data

	1985	1986 after Sequestering	1987
No. of awards to States and Outlying Areas	57	57	57
Average State award	$9,513,000	$9,105,000	$9,514,000
Minimum State award	$2,473,000	$2,367,000	$2,474,000
Maximum State award	$48,015,000	$45,953,000	$48,018,000
Funds for Outlying Areas 1/	$5,319,000	$5,062,000	$5,289,000

1/ Does not reflect reductions required by the Compact of Free Association.

Special Programs

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1. Improving school programs: b. Secretary's discretionary fund (Education Consolidation and Improvement Act of 1981, Chapter 2, Subchapter D)

1987 Authorization: Indefinite[1/]

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$28,909,000	$27,666,000	$28,909,000	+$1,243,000

[1/] The maximum amount authorized is six percent of the total appropriation for Chapter 2 of ECIA.

Secretary's Discretionary Fund

Chapter 2 authorizes a set-aside of up to 6 percent of the appropriated funds for Federal-level activities that complement State and local efforts to improve the quality of elementary and secondary education. The authorizing statute mandates that, from the funds reserved, the Secretary must first fund the Inexpensive Book Distribution, Arts in Education, Alcohol and Drug Abuse Education, and Law-Related Education programs. The remainder may support a number of discretionary programs, including the National Diffusion Network and several Secretarial priorities. Funds becoms available on October 1 of the fiscal year for which they are appropriated. Some programs in the Fund support activities that occur in the same fiscal year as the appropriation. Others generally spend their funds for activities that take place during the following fiscal year.

Inexpensive Book Distribution

Purpose and Method of Operation

The purpose of this program is to buy inexpensive books, offer them to children from low-income families, and motivate children to read. The program is administered through a sole source contract awarded to Reading is Fundamental, Inc. (RIF), a private non-profit organization that is associated with the Smithsonian Institution. RIF allocates funds for the purchase and distribution of books through about 3,200 subcontracts to local community associations. Community support through volunteer activities by educators, parents, librarians, and business and civic leaders is a key element of the program. In 1985, about 92,000 volunteers participated in this program, as did 145 book publishers and 212 distributors that provided discounts on books. Local projects may receive support of

Purpose and Method of Operation -- Continued

up to 75 percent of the cost of the book purchases with the remainder coming from private and local sources. For migrant children, projects may use RIF funds to pay 100 percent of the cost. Funds appropriated and awarded for this program in one fiscal year generally support activities that take place in the following fiscal year.

Accomplishments

In 1985, 7 million books were distributed to more than 2.2 million children. There were local projects in all 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam. These projects were run by about 92,000 volunteers who conducted the reading motivation sessions at which books are distributed and raised money to pay the local share of the cost of the books. The use of volunteers and local support, plus book supplier discounts, resulted in an average cost to the Federal Government of about $1 a book.

Reports from local projects maintain that the program has a positive impact on children's overall motivation to read. The reports also claim that the program results in increased use of libraries and increased parental involvement in schools and contributes to improved reading achievement.

Arts in Education

Purpose and Method of Operation

The Arts in Education program was designed to encourage and support programs that recognize and stress the essential role the arts can play in elementary and secondary education, to conduct demonstration programs regarding the involvement of handicapped people in the arts, and to foster greater awareness of the need for arts programs for the handicapped. Two awards for activities of national significance are made under this program. One is to the John F. Kennedy Center for the Performing Arts, the other to the National Committee, Arts for the Handicapped.

The Kennedy Center grant provides support for the Alliance for Arts Education, a national network of State arts education committees whose focus is on the advancement, quality, and integration of the arts into basic education programs. Funds are given to these committees to operate and develop programs to meet the art education needs of their States. The Kennedy Center grant also provides partial support for Programs for

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Purpose and Method of Operation -- Continued

Children and Youth and for the American College Theatre Festival, both of which promote the expansion of opportunities for children and youth to participate in the arts as performers or as audience members at live performances.

The award to the National Committee, Arts for the Handicapped (NCAH) supports the development of quality programs to integrate the arts into the general education of disabled children and the lives of disabled adults through the Very Special Arts Festival program. Local festivals are assisted through a program of awards and training at the local level. Through its public education and awareness program, NCAH enlists the support and interest of the arts, handicapped, and education communities, as well as the public-at-large, to stimulate general interest in and support for arts programs designed for disabled persons. Other NCAH activities include research projects, curriculum development, and teacher training.

Funds appropriated and awarded for this program support activities that occur in the fiscal year of the appropriation.

Accomplishments

In 1985, the NCAH received $2,250,000 for 450 Very Special Arts Festivals in all 50 States, the District of Columbia, and Puerto Rico. These festivals worked within their States to promote arts in the education and lives of the handicapped by providing programs for performances, workshops, and inservice training for disabled children, parents, educators, and others. In addition, a National Very Special Arts Festival was held at the Kennedy Center. This activity included workshops, demonstrations, performances, and exhibitions, all designed to create greater awareness of the importance of the arts for the handicapped.

The Kennedy Center received $907,000 in Federal funds in partial support of its education programs in 1985, primarily for the Alliance for Arts Education. Within the Alliance, 41 States had committees with active status and 10 had affiliate status. Additionally, 8 teachers received Kennedy Center Summer Teacher Fellowships, a total of 32 school administrator awards were given, and 20 Presidential Scholars in the Arts were selected. In addition to the Federal funds, the Center generated about $3 million in private sector contributions and in-kind support for its education activities which, in 1985, involved 3.5 million young people, their families, and teachers. Of the total participants, about 50,000 attended workshops, rehearsals, and performances sponsored by the Program for Children and Youth at the Kennedy Center. Another 400,000 participated in or attended touring productions and "Imagination Celebrations" in cities and towns across the country. The American College Theatre Festival conducted nine regional festivals culminating in the national festival at the Kennedy Center.

Alcohol and Drug Abuse Education

Purpose and Method of Operation

The Alcohol and Drug Abuse Education program (ADAEP) helps local schools develop their capacity to prevent and reduce alcohol and drug abuse and associated disruptive behaviors that are destructive to the individual and that hinder learning. The ADAEP has used a school team training approach since 1976.

Contracts are awarded to five regional centers that offer training and on-site technical assistance. Each school district that wishes to participate submits an application to the center in its region. From these applications, the center selects approximately 28 districts each year to send five-member teams to the center for training. The teams receive ten days of intensive training on the nature and effects of alcohol and drugs. The emphasis is on helping the teams assess and solve problems themselves. As a result, participants leave the training sessions with a plan of action of their own design for combating alcohol and drug abuse in their schools. The centers offer follow-up training and technical assistance in the school districts for up to two years after the initial training. In addition to the five centers, there is a national data base and support project. Funds appropriated and awarded for this program in one fiscal year generally are spent for activities that take place in the following fiscal year.

Accomplishments

This program is an important part of the Administration's efforts in the area of drug abuse prevention. It relies extensively on volunteer participation (about 330,000 hours during the year) and on support from non-Federal sources (about $4 million in 1985).

ADAEP funds cover training costs and technical assistance. The teams are expected to become self-sustaining groups that will continue working in the schools after the withdrawal of Federal support. The program has trained about 4,650 teams and 18,700 individuals over the past 12 years.

Law-Related Education

Purpose and Method of Operation

The purpose of this program is to provide students with knowledge and skills pertaining to the law, the legal process, the legal system, and the fundamental principles and values on which these are based. Competitive grants are awarded to State and local educational agencies or other public or private agencies, organizations, or institutions. Funds appropriated and awarded for this program in one fiscal year are generally spent for activities that take place in the next fiscal year.

Special Programs

1. Improving school programs: b. Secretary's discretionary fund

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Purpose and Method of Operation -- Continued

Project activities include teacher training, curriculum development, dissemination of materials, seminars, mock trials, demonstration centers, alternative programs to help solve juvenile behavior problems, and a broad spectrum of related skill development activities for grades K-12.

Priorities for 1986 projects include: (1) projects that develop, test, demonstrate, and disseminate new approaches or techniques in law-related education; and (2) projects that support the institutionalization of existing model law-related education programs in the elementary and secondary school classrooms. The Secretary is particularly interested in projects that would improve student character and development by encouraging such qualities as informed respect for the law and understanding of the rights and duties of citizenship, and projects that would provide elementary and secondary school teachers and administrators with opportunities to participate in law-related education programs, including education about the legal principles that affect their ability to maintain safe and orderly schools.

Accomplishments

In fiscal year 1985, $2,000,000 was used to support 30 Law-Related Education projects. These included one nationwide project that is working with 14 States, 10 statewide consortium projects, 10 school district programs, and 1 project to develop a film on the Supreme Court.

National Diffusion Network

Purpose and Method of Operation

The National Diffusion Network (NDN) was established to capitalize on Federal investments in research, development, and demonstration programs that were not being used outside districts where they were first developed. NDN facilitates school improvement by identifying and disseminating programs that work, bringing alternatives to the attention of educators throughout the Nation who are interested in improving their educational programs, and providing training and follow-up technical assistance for those who decide to adopt a particular program.

Grants are awarded to local school districts that are identified as developers of successful educational programs so that they may present their programs, provide materials, and conduct training for school staffs who are interested in improving education through the adoption of these approaches. This district-to-district communication is a key factor in NDN's ability to disseminate information in a form useful to potential users.

Special Programs

1. Improving school programs: b. Secretary's discretionary fund

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Purpose and Method of Operation -- Continued

In order to disseminate information on available programs, grants are awarded to State educational agencies and other public and private non-profit organizations to serve as facilitators to link up prospective providers of educational services with exemplary programs, products, and practices.

The NDN also funds technical assistance contracts which provide assistance to local and State members of the NDN and to other districts that show promise of becoming members of the NDN.

The Department's Joint Dissemination Review Panel (JDRP) serves as the NDN's quality control mechanism. If a program submits objective evidence of its success, the panel will approve the program for dissemination. When a program is approved by JDRP for dissemination, it becomes eligible to compete for NDN funding. More than 390 programs have been approved by JDRP since its beginning. Funds appropriated for this program are generally awarded in May and cover a one-year project period.

Accomplishments

During school year 1984-1985, over 13,500 schools adopted and implemented exemplary projects disseminated by the National Diffusion Network. Also, over 46,000 teachers and other school personnel received training to implement NDN projects, and more than 1.7 million students were served by the projects adopted in new sites.

All of the fiscal year 1984 funds previously impounded by the courts have now been released, and the program hopes to achieve a normal grant cycle during fiscal year 1986.

The 1985 program included funding for 15 new and 82 continuation developer/demonstrator awards, along with the usual 53 State facilitator grants and technical assistance contracts. Of the total 97 funded developer/demonstrators, 37 are in the areas of math and science. These 37 projects were adopted in over 4,000 schools during 1984-1985. Further, 28 more math/science projects are being assisted through the JDRP-approval process. Math and science are again priority funding areas in 1986.

In 1985, NDN conducted a series of 11 satellite video-teleconferences, each concentrating on selected program areas. The series featured programs on technology, gifted and talented, adult literacy, math and science, and reading and writing. During each teleconference, from four to six developer/demonstrators made presentations of their programs, and an opportunity was provided for questions and answers through phone linkups. Each

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Accomplishments -- Continued

teleconference was broadcast to multiple sites nationwide. Preliminary data indicate that receiving sites were located in 30 to 40 States for each teleconference. The teleconferences were taped for later use in States which had been unable to participate in the live broadcasts.

Special Initiatives

Purpose and Method of Operation

Funds are used to support research, development, demonstration, and related activities of national significance designed to help State and local educational agencies improve the quality of elementary and secondary education. Grants and contracts are awarded for projects in priority areas such as the development of teacher incentive plans and leadership in developing policies that promote excellence in education, and for field-initiated grants focused on character, content, choice, and citizenship.

Accomplishments

Release in December 1985 of $8.2 million of discretionary funds previously frozen under court order will make it possible to provide funds for a number of activities which had received only a commitment to funding in fiscal 1985. However, the court required payment of $1.5 million of the frozen funds to the city of Chicago, so it is not possible to fully fund the remaining projects. An additional $300,000 of fiscal 1986 funds are being set aside for Chicago pending final resolution of the case.

- Some 34 grants were awarded for field-initiated projects of national significance, in response to a 1985 grants announcement under the Secretary's Discretionary program. The total support is $2.6 million, with an average award of $76,000.

  Applicants were invited to focus on topics relating to improving the content of education, developing character in students, and expanding parental choice in education. Funded projects focus on such topics as: Support for gifted mathematics students; evaluation of an existing program to teach students how the exercise of self discipline leads to more educational opportunities; training parents in making choices among the 17 elementary schools in New York City's Community School District No. 5 (Central Harlem); training teachers and secondary school students in the Constitution and the Bill of Rights; and research into how more effective structuring of fourth through twelfth grade science and social studies texts can increase students' comprehension.

Special Programs

1. Improving school programs: b) Secretary's discretionary fund

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Accomplishments -- Continued

- Under a separate 1985 grant announcement, 25 planning grants were awarded in 21 States to develop local teacher incentive structures. Several are to develop statewide plans. The total support is about $500,000, with an average grant of $20,000.
- Funding was provided for the assessment of the Chapter 1 (compensatory education) program mandated by the Congress in the ECIA Technical Amendments of 1983. Additional funding was provided from funds appropriated to the National Institue of Education and to Chapter 1 Evaluation and Studies. To date, more than $4.0 million has been obligated for the assessment. Final results are due to the Congress in January 1987.
- The second and final funding increment was provided to one dozen school-based technology demonstrations first funded following a 1983 grants competition. Many of these demonstrations, which involve subjects as diverse as elementary writing and high school physics, have received national publicity and are being widely disseminated.
- Some of the 53 projects that were only partially funded in 1984 due to the desegregation litigation in Chicago were provided part of their balance of funds. Others of the projects had already completed their work.
- Funding will be provided for the Presidential Academic Fitness program, which recognizes elementary and secondary school students for academic achievement; the Presidential Scholars program, which annually selects 141 Presidential Scholars from among the nearly 3 million graduating high school seniors; and the Partnerships in Education program, which creates working partnerships between schools, businesses and communities.

1987 Budget Proposal

For fiscal year 1987, $28,909,000 is requested for the Secretary's Discretionary Fund, an increase of $1,243,000 over the 1986 appropriation after sequestering. The 1987 budget for this activity proposes to return funding to the 1986 enacted appropriation level.

The Department has proposed an amendment to the authorizing statute to eliminate mandatory set-asides for the Inexpensive Book Distribution, Arts in Education, Alcohol and Drug Abuse Education, and Law-Related Education programs. Although the Department plans to fund these four activities, as a preliminary estimate, at their 1986 enacted levels, this amendment will provide greater flexibility for the Secretary to focus resources on unmet national needs and to respond in a timely manner to issues identified by research and commissions investigating educational reform.

1987 Budget Proposal -- Continued

The budget request includes funds for the Secondary School Recognition program. It and the Elementary School Recognition program are funded in alternate years. When the Secondary School Recognition program was last funded, 217 exceptionally effective secondary school programs were selected from among the 555 that were nominated by States.

Impact Data	1985	1986 after Sequestering	1987
Inexpensive Book Distribution	$7,000,000	$6,699,000	$7,000,000
Number of awards	1	1	1
Books distributed	6,950,000	6,504,000	6,542,000
Children served	2,200,000	2,200,000	2,200,000
Books per child (average)	3.16	2.96	2.97
Federal share per child (average)	$3.18	$3.05	$3.18
Arts in Education	$3,157,000	$3,021,249	$3,157,000
National Committee, Arts for the Handicapped	$2,250,000	$2,153,000	$2,250,000
Very Special Arts Festivals	450	450	450
Participants	700,000	700,000	700,000
John F. Kennedy Center for the Performing Arts	$907,000	$868,000	$907,000
College Theatre Festival:			
Students participating	12,000	12,000	12,000
Teachers participating	2,000	2,000	2,000
Program for Children and Youth:			
Participants	55,000	55,000	55,000
Alcohol and Drug Abuse Education	$3,000,000	$2,871,000	$3,000,000
Number of regional centers	5	5	5
Average award to centers	$565,000	$540,705	$565,000
Data base project	$175,000	$167,475	$175,000
New teams trained	140	140	140
Individuals trained	700	700	700
Local teams trained by program participants (expansion teams)	120	120	120
Schools affected	618	618	618
School districts affected	87	87	87
Students affected	600,000	600,000	600,000
Educational personnel affected	8,400	8,400	8,400
State agencies involved	50	50	50

Special Programs

1. Improving school programs: b. Secretary's discretionary fund

Impact Data -- Continued	1985	1986 after Sequestering	1987
Law-Related Education	$2,000,000	$1,914,000	$2,000,000
Number of awards....................	30	28	30
Participants in training projects...	2,000	1,900	2,000
Potential student beneficiaries.....	500,000	478,500	500,000
NDN/Special Initiatives	$16,752,000	$13,161,000	$13,752,000
Number of awards:			
Dissemination awards...............	156	130	156
Career ladder/master teacher......	25	---	---
Field-initiated grants............	34	12	14
Evaluations and studies...........	4	2	2
Other awards......................	3	8	8
Partial awards....................	53	---	---

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2. Teacher training and improvement: a. State grants (Proposed legislation)

1987 Authorization: To be determined

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
---	---	$60,000,000 1/	+$60,000,000

1/ Request pending submission of proposed legislation.

1987 Budget Proposal

Improvement of teaching in elementary and secondary classrooms is one of the most critical issues facing American education. Observers of our educational system have identified factors which may make it difficult for the system to provide high-quality instruction to future students. For one thing, many current teachers will reach retirement age in the coming decade and a smaller number of college graduates are emerging to replace them. Second, outstanding teachers and administrators do not often receive the rewards and recognition typically available to other professionals. Third, education has not established mechanisms for attracting and training talented people from other fields who want to become teachers. Finally, teachers and administrators seldom have the opportunity to receive quality in-service education or pursue advanced research in order to stay current in their subject areas.

In our decentralized system of education, the responsibility for improvement of teaching and teacher education lies principally with officials at the State and local levels. Yet because of the national interest in educational excellence, it is appropriate for the Federal Government to encourage and provide limited support for State and local efforts in this area. Toward that end, the Administration is proposing enactment of the [illegible] Training and Improvement Act, including State grants to be funded at $60 million in 1987.

Under the Act, 1 percent of the amount available for State grants would be divided evenly between the Outlying Areas and the Bureau of Indian Affairs schools. The remaining 99 percent would be distributed to the 50 States, the District of Columbia, and Puerto Rico on the basis of population aged 5-17.

1987 Budget Proposal -- Continued

Each State would be required to pass through at least 90 percent of its grant to eligible recipients such as local educational agencies and institutions of higher education. Up to 5 percent of the grant could be used for State administration; any remaining funds retained at the State level would be used for special State-initiated projects.

In order to participate in the program, each State would be required to submit an application, every three years, containing a description of its priority areas for the use of funds under the Act and of the procedures it will use for soliciting applications and selecting projects to be funded. States would also describe how teachers at private non-profit schools would be assured of equitable participation in the programs and benefits of the Act.

State and local activities would include inservice education for teachers and administrators to improve their subject matter competence and professional skills, retraining of teachers who wish to move into new subject areas, and programs for persons outside the teaching profession who wish to enter teaching but lack course work in education. If State needs in these areas have been met, funds could be used for activities to improve the preservice education of teachers in order to attract the most academically capable high school and college students into the teaching profession. Programs to recognize excellent performance by teachers and administrators and programs for the exchange of professional personnel between education and other fields would also be authorized.

States would be encouraged to fund projects carried out by a broad range of service providers, including cooperative projects bringing together the resources of different organizations and institutions. In addition, States would be required to give priority to improving the teaching of English, mathematics, the natural and physical sciences, the social sciences, the humanities (including foreign languages), and other academic subjects.

The Teacher Training and Improvement Act is proposed as an amendment to Title II of the Education for Economic Security Act, which authorizes the existing Science and Mathematics Education program. The new Teacher Training program would be a major improvement over the current program because it would broaden the authority to serve teachers in all academic disciplines and would not have the burdensome administrative requirements and funding set-asides that hamper current program operations. The new law would also terminate the current Territorial Teacher Training and Leadership in Educational Administration (LEAD) programs. Enactment of the more comprehensive Teacher Training and Improvement program would make these narrow categorical authorities redundant and unnecessary.

The $60 million proposed for State grants in 1987 would be a $20.8 million (53 percent) increase over the amount that States will receive under Science and Mathematics Education in 1986. This amount will permit commencement of important teacher training and improvement initiatives in all the States.

2. Teacher training and improvement: a. State grants

1987 Budget Proposal — Continued

The Department proposes that this program be forward funded, with funds becoming available for obligation to the States on July 1 of the fiscal year for which they are appropriated and remaining available for obligation through September 30 of the following fiscal year.

Impact Data	1985	1986	1987
Average State grant	---	---	$1,142,000
Maximum State grant	---	---	5,913,000
Minimum State grant	---	---	123,000
Amount for Outlying Areas	---	---	300,000
Amount for Indian schools	---	---	300,000

2. Teacher Training and Improvement: b. Secretary's discretionary fund (Proposed legislation)

1987 Authorization: To be determined

Budget Authority:

1986 Appropriation	1987	Increase or Decrease
---	$15,000,000 1/	+$15,000,000

1/ Request pending submission of proposed legislation.

1987 Budget Proposal

The purpose of this proposed program is to improve teaching and administration in the Nation's public and private nonprofit elementary and secondary schools through nationally significant projects. The Secretary would be authorized to retain up to 20 percent of the Teacher Training and Improvement appropriation for support of research, development and testing, demonstration, data collection, and dissemination.

Improving teaching in elementary and secondary classrooms is one of the most critical tasks facing American education. Primary responsibility for this task lies with officials at the State and local levels. The Secretary of Education nonetheless has an important leadership role in identifying and supporting projects of national significance which provide unique types of information or services and which help catalyze action at the State and local level. Through current-funded grants and contracts, a wide variety of activities would be supported.

In fiscal year 1987, $15 million is requested for this program. Specific projects to be funded in 1987 depend in large measure on the nature and quality of proposals received in response to requests published by the Secretary in the Federal Register. Applicants would be encouraged to propose projects on such topics as the following:

- Recognition programs for outstanding teachers at particular grade levels and in particular subjects, including provision of opportunities for further research or writing;
- Support for initiation of national specialty boards in particular teaching fields;
- Summer seminars and institutes for intellectual renewal of teachers and principals, perhaps jointly funded with other Federal agencies;
- Experimentation with fellowships, study grants, and sabbaticals to gauge their value in retaining outstanding teachers in the profession;

Special Programs

2. Teacher Training and Improvement: b. Secretary's discretionary fund

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1987 Budget Proposal--continued

- Innovative programs of pre- and in-service education and certification for school principals;
- Development and demonstration of new models of teacher certification conducted by States, universities, and professional associations;
- Research and analysis of alternate certification programs launched by States;
- Analysis of twelve-month contracts for teachers and their effects on teacher satisfaction and retention;
- Research and data-gathering on the working conditions of teachers and principals; unusually effective teachers and principals and what makes them so; teacher supply and demand; international comparisons; and other key topics; and,
- Continuation of the new initiative honoring Christa McAuliffe, to improve the competence of science and mathematics teachers.

Special Programs

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2. Teacher training and improvement: c. Science and mathematics State grants
   (Public Law 98-377, Education for Economic Security Act, Title II, Sections 203 and 204(c))

1987 Authorization: 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$40,950,000	$39,190,000	---	-$39,190,000

1/ A total of $400,000,000 is authorized for all of Title II, including the State Grants and Secretary's Discretionary Fund.

Purpose and Method of Operation

Title II of the Education for Economic Security Act provides assistance to State and local educational agencies, State higher education agencies, institutions of higher education, and private nonprofit organizations to improve instruction in mathematics, science, computer learning, and foreign languages. From the total amount appropriated for Title II, one percent is allotted to the Territories and to programs for Indian children in elementary and secondary schools operated by the Department of the Interior, 9 percent supports a program of discretionary grants of national significance, and 90 percent is distributed to the 50 States, the District of Columbia, and Puerto Rico.

Under the State Grant program, funds are distributed to each State according to the number of children aged 5 to 17. No State may receive less than 0.5 percent of the amount available. Each State must spend 70 percent of its grant for elementary and secondary education programs and 30 percent for higher education programs.

For 1986, funds for State grants were appropriated on a forward-funded basis, with funds becoming available on July 1, 1986, for obligation through the end of fiscal year 1987.

Elementary and Secondary Programs (70 percent)--From the amount it receives for elementary and secondary programs, a State educational agency (SEA) must distribute at least 70 percent to its local educational agencies (LEAs). It must keep a minimum of 25 percent but no more than 30 percent for programs at the State level.

Purpose and Method of Operation -- Continued

In order to receive funds, an LEA must submit to the SEA an assessment of its need for assistance in teacher training and other specified areas. Allocation of funds to LEAs follows a formula that distributes 50 percent according to the number of children enrolled in public and private schools and 50 percent according to the number of children aged 5 to 17 who meet poverty criteria contained in the Elementary and Secondary Education Act of 1965, as amended.

An LEA must use its funds for inservice training and retraining of teachers and other school personnel in science and mathematics. If an LEA determines it has met its need for such training, it may apply to the State for a waiver to use funds for computer learning and instruction, foreign languages instruction, and instructional materials and equipment related to mathematics and science. However, an LEA may spend no more than 30 percent of its funds to purchase computer and computer-related instructional material and no more than 15 percent of its funds to strengthen instruction in foreign languages.

At least 20 percent of a State's funds for elementary and secondary programs must be retained by the SEA for demonstration and exemplary teacher training programs and other specified purposes. At least 20 percent of this amount must be used for programs for the historically underrepresented and underserved and the gifted and talented. An SEA must also spend at least 5 percent of the State's elementary and secondary funds to provide technical assistance to LEAs, institutions of higher education, and nonprofit organizations in conducting the activities authorized for LEAs. Finally, the SEA may use no more than 5 percent of the State's elementary and secondary funds for administration and evaluation and to conduct a statutorily required assessment of the status of mathematics, science, foreign languages, and computer learning within the State.

Higher Education Programs (30 percent)--The State agency for higher education, which administers this portion of the State grant, must use at least 75 percent of its funds for competitive grants to institutions of higher education (IHEs). Grants are to be used for training new teachers who will teach science and mathematics at the secondary school level; retraining secondary school teachers who are in other fields to teach science and mathematics; and inservice training for elementary, secondary, and vocational teachers to improve their skills in science, mathematics, and computer learning.

The State higher education agency must also retain at least 20 percent of the funds under this portion of the Act for cooperative programs for the development and dissemination of projects designed to improve student understanding and performance in science, mathematics, and critical foreign languages.

Purpose and Method of Operation -- Continued

Finally, the State agency for higher education may use no more than 5 percent of the State's higher education funds for the required State assessment and for administration and evaluation.

Accomplishments

With the first year of program funding, 1985-86, States are using their SEA funds for demonstration and exemplary programs for a variety of activities, mainly in the areas of curriculum development (statewide science syllabi, computer-based programs, honors programs for the gifted and talented), inservice teacher training (certification programs, programs for teachers in geographically isolated areas), and programs linking education and private industry (career awareness programs, programs to attract scientists and mathematicians into teaching).

State priorities for the use of higher education funds have fallen into five major areas: education-business linkages, preservice teacher training, inservice training, teacher retraining, and elementary and secondary school partnerships with higher education.

More detailed information on activities in the States will become available in the spring of 1986 when the States complete and send to the Department their mandated assessments of State needs for teacher training, instructional materials and equipment, and improvement of access to instruction for the historically underserved and the gifted and talented.

1987 Budget Proposal

No funds are requested for Science and Mathematics State Grants in 1987 because the Administration proposes to replace this program with the new Teacher Training and Improvement Act. The current program contains far too many funding set-asides, which dilute its impact on the quality of education in the Nation's schools and colleges. The Teacher Training and Improvement Act would give the States the flexibility to implement teacher improvement, in areas of the highest State and local priority, in all academic disciplines.

Impact Data	1985	1986 after Sequestering	1987
State grants	$89,100,000	$38,759,000	---
Maximum State grant	8,547,000	3,762,000	---
Minimum State grant	446,000	194,000	---
Amount for Outlying Areas	500,000	215,000	---
Amount for Indian schools	500,000	215,000	---

Special Programs

2. Teacher training and improvement: c. Science and mathematics State grants

Impact Data -- Continued	1985	1986 after Sequestering	1987
Average State grant:	$1,713,000	$745,000	---
Elementary and secondary programs:	1,199,000	522,000	---
Maximum available to SEAs	360,000	157,000	---
Minimum available to LEAs	840,000	365,000	---
Higher education programs:	514,000	224,000	---
Maximum available for State higher education agency	129,000	56,000	---
Minimum available for IHEs	386,000	168,000	---

Special Programs

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2. Teacher training and improvement: d. Science and mathematics Secretary's discretionary fund
(Public Law 98-377, Education for Economic Security Act, Title II, Section 212)

Authorization: 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$4,050,000	$3,876,000	---	-$3,876,000

1/ A total of $400,000,000 is authorized for all of Title II, including the State Grants and Secretary's Discretionary Fund.

Purpose and Method of Operation

The major purpose of the Education for Economic Security Act (Title II of P.L. 98-377) is to improve the quality of mathematics and science instruction in the United States. As one means of addressing this goal, section 212 authorizes a Secretary's Discretionary Fund for Programs of National Significance. Of the funds available for Title II of the EESA, 9 percent is reserved for the Secretary's Discretionary Fund.

Twenty-five percent of the amount appropriated for the Secretary's Discretionary Fund must be used to support projects at institutions of higher education for the improvement and expansion of instruction in critical foreign languages. A list of such languages is published by the Secretary in the Federal Register.

Up to $3 million of the Secretary's Discretionary Fund may be reserved for the purpose of conducting evaluation and research activities, including an evaluation of programs assisted under Title II. One-half of the reserved funds are to be used for research on improving teacher training, retraining, and inservice training, as well as for the development of curriculum and materials in the fields of mathematics and science.

The remaining portion of the Discretionary Fund is available for awards to a wide variety of public and private agencies for programs of national significance in mathematics and science instruction, computer learning, and foreign language instruction in critical languages.

2. Teacher training and improvement: d. Science and mathematics Secretary's discretionary fund

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Accomplishments

During fiscal year 1985, the first year of operation of the Science and Math program, support was provided for three children's educational television series in science, mathematics, and technology. These are: "Voyage of the Mimi," "3-2-1 Contact," and a new daily series on mathematics which is in the development stage and has not yet been broadcast. Additional support for children's educational television is being provided in fiscal 1986.

The Department is planning a new initiative honoring Christa McAuliffe, to improve the competence of science and mathematics teachers. Using a portion of these discretionary funds, summer training will be conducted by outstanding scientists and mathematicians to improve the subject matter knowledge of teachers.

A competition was held in 1985 for grants to institutions of higher education to improve and expand instruction in critical foreign languages. About 270 applications were received and 39 awards were made. Another, similar competition is planned for 1986, using the funds appropriated for this purpose.

A competition is also under way for projects of national significance in science, mathematics, computer learning and critical foreign languages. About 470 applications have been received. Awards will be made following review of these proposals.

The Department is also initiating studies of science and mathematics education using these funds. One is a study of alternate certification procedures adopted by States for science and mathematics teachers, and the effect of such procedures on attracting individuals into (or back into) the teaching profession. A second study will examine practices of States and localities relating to education of gifted students in mathematics and science. In addition, the Department is planning to review the State assessments of mathematics, science, foreign languages, and computer learning which are required under the terms of section 208 of Title II.

1987 Budget Proposal

No funds are requested for this program in fiscal 1987. Instead, the Department proposes to broaden the Science and Math authority, including the Secretary's Discretionary Fund, to improve the subject matter knowledge and skills of teachers and administrators in all disciplines. This proposal is shown separately as Teacher Training and Improvement.

Special Programs

2. Teacher training and improvement: d. Science and mathematics Secretary's discretionary fund

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Impact Data	1985	1986 after Sequestering	1987
Critical foreign languages	$2,475,000	$969,000	---
Educational TV	3,000,000	2,907,000	---
Other	4,425,000	---	---

Special Programs

2. Teacher training and improvement: e. Territorial teacher training (Education Amendments of 1978, Section 1525)

1987 Authorization: $2,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$2,000,000	$1,914,000	---	---	---

Purpose and Method of Operation

Under this program, funds are awarded to American Samoa, Guam, the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and the Virgin Islands to train elementary and secondary school teachers. Funds appropriated for one fiscal year are generally used for activities that take place in the next fiscal year.

Activities must be directed at teachers who work with students in kindergarten through grade 12 in public and private schools. All activities must be directly related to teaching and may include inservice teacher training in basic skills development, specific subject areas, curriculum development, use of instructional materials or equipment, classroom management, or training for teachers to achieve full certification under the appropriate territorial requirements.

Accomplishments

This program has assisted the Outlying Areas in meeting their teacher training needs in the following ways:

- American Samoa has reduced its uncertified instructional staff from 70 percent in 1980 to approximately 27 percent in 1984, enabling it to reduce dependency on mainland educational personnel.

- Guam provides funds for its educational personnel to acquire training for completion of certification requirements, for acquisition of a degree, or for professional growth. In 1984-85, 246 employees were provided financial assistance to attend workshops and both off- and on-campus courses at the University of Guam for the fall, spring, and summer sessions. By 1985, only 6.2 percent of teachers in Guam lacked full credentials.

- In the Northern Marianas, the number of teachers with AA degrees has grown from 7 to 73 and the number with BA degrees from 11 to 124. In 1981, the average teacher had 39.8 college credits. By 1985, that number had increased to 100.6.

Special Programs

2. Teacher training and improvement: e. Territorial teacher training

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Accomplishments -- Continued

- In the Trust Territory of the Pacific Islands, approximately 830 teachers have earned Associate of Science or Associate of Arts degrees and approximately 75 have earned Bachelor's degrees with assistance from this program.

- The Virgin Islands has continued to provide courses for 171 non-degreed teachers. It has also used funds from this program to expand both the undergraduate and graduate programs at the College of the Virgin Islands and to conduct workshops on topics designed to improve classroom practices.

1987 Budget Proposal

No funds are requested for this program in 1987. Since funding for this program began in 1980, a considerable amount of Federal money--$8,720,000--has been spent training teachers in the Territories. This is an average of $1,121 for every territorial teacher position. Continuation of this program on a categorical basis should no longer be necessary. Furthermore, teacher training is explicitly authorized under other Departmental programs that provide funds to the Territories. In 1987, the Territories will receive approximately $5.3 million from the Chapter 2 State Block Grant program, $300,000 from the new Teacher Training Initiative, and approximately $22.3 million in additional Department of Education funds under the consolidated grant authority. These funds should be adequate to meet the Federal responsibility for education in the Territories. In addition, this reduction will help to achieve the deficit reductions required by P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
American Samoa	$260,000	1/	---	---
Guam	130,000	1/	---	---
No. Mariana Islands	435,000	1/	---	---
Trust Territory of the Pacific	930,000	1/	---	---
Virgin Islands	245,000	1/	---	---
Average award	$400,000	$382,000	---	---

1/ Allocations to the individual territories are not available at this time.

2. Teacher training and improvement: f. Leadership in educational administration (LEAD)
(Title IX, Human Resources Reauthorization Act, P.L. 98-558)

1987 Authorization: $20,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$7,500,000	$7,177,000	---	---	---

Purpose and Method of Operation

This program was recently authorized to provide funding for the establishment and operation of training and assistance centers to upgrade the leadership skills of elementary and secondary school administrators. Projects are to focus on leadership, management, problem-solving, goal-setting, budgetary, motivational, instructional analysis, communication, evaluation, student discipline, and time-management skills.

All awards are to be made through once-renewable three-year term contracts, and contractors must demonstrate a commitment to continue their program after Federal funding expires. Additionally, contractors must match the Federal contribution in the first term, and Federal assistance in the second term is limited to one-half the amount in the first term. Higher education institutions, State and local educational agencies, and private management and nonprofit organizations (or consortia of such) are eligible contractors.

According to statute, a minimum of $150,000 is to be awarded to contractors within each of the 50 States. Although the 1986 enacted appropriation was enough to allow for such an allocation, the reduction in 1986 funds required by P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985, reduces the award per State to $144,000. This is a forward funded program. Funds would first become available for obligation on July 1, 1986, and remain available through September 30, 1987.

Accomplishments

Funds were appropriated for this program for the first time in fiscal year 1986. Since these funds do not become available until July 1, 1986, no awards have been made yet.

1987 Budget Proposal

No funds are requested for this program in 1987. At a time when significant Federal deficit reductions must be achieved, it is not appropriate to begin

Special Programs

2. Teacher training and improvement: f. Leadership in educational administration (LEAD)

1987 Budget Proposal -- Continued

a new categorical activity of this nature. Activities under this program can be funded under the Chapter 2 block grant and, in future years, under the proposed Teacher Training and Improvement Act. In addition, this reduction will help achieve the deficit reductions required by P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Contracts for technical assistance centers	---	50	---	---
Award to each State	---	$144,000	---	---

3. Excellence in Education
(Education for Economic Security Act, Title VI)

1987 Authorization: $16,000,000

Budget Authority:

1986 Appropriation	1986 Available after* Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$2,500,000	$2,392,000	---	---	---

Purpose and Method of Operation

This program is intended to improve the quality of education through direct Federal grants for school-based projects that have high potential for successfully demonstrating techniques producing excellence in education. Funds are awarded to local educational agencies for individual schools having programs of excellence which (1) demonstrate successful techniques for improving the quality of education, (2) can be disseminated and replicated, and (3) are conducted with the participation of school principals, teachers, parents, and business concerns in the community.

The grantee selection process begins with the nomination of individual schools by the local educational agency, from which each chief State school officer selects and forwards to the Secretary of Education the top 25 choices. The Secretary, assisted by an impartial review panel, then selects no more than 500 individual school projects. Individual school awards are limited to $25,000 for one fiscal year and no more than $40,000 over a period of two years.

Two set-asides are mandated by the authorizing legislation. The Secretary must reserve $3 million of the sums appropriated for this program for special school awards. These special school awards differ from other school excellence awards only in that cost sharing is required; i.e., private sector funds must help pay for carrying out activities for which assistance is sought. The other set-aside, which is $1 million, is mandated for research, evaluation, dissemination, and monitoring activities. When the appropriation is insufficient to fully fund these two set-asides, the appropriation is prorated between the two.

Accomplishments

The initial grants for this program are expected to be awarded in April 1986 from funds appropriated in fiscal year 1985. This was made possible by the inclusion of appropriation language making the $5 million appropriation available until expended.

Special Program

3. Excellence in Education

1987 Budget Proposal

No funds are requested for this program in 1987 and it is proposed that the program be terminated. All of the activities authorized under this program can be conducted under Chapter 2. For recognizing and rewarding excellence, we believe that the Elementary and Secondary School Recognition programs are better vehicles for recognizing and rewarding excellence. Under the Excellence in Education program, which has a cumbersome and burdensome grant selection process in relation to the size of the grants, schools are not selected for their excellent performance, but, rather, on the basis of proposals which show promise and potential.

Impact Data

	1985	1986 after Sequestering	1986 Revised	1987
Number of excellence grants (estimated)....	200	89	---	---

4. Magnet schools assistance
(Public Law 98-377, Education for Economic Security Act, Title VII)

1987 Authorization: $75,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$75,000,000	$71,775,000	$75,000,000	+$3,225,000

Purpose and Method of Operation

The Magnet Schools Assistance program authorizes grants to local educational agencies for conducting academic and vocational programs in magnet schools that are part of a desegregation plan approved by a court or by the Department of Education's Office for Civil Rights. A magnet school is defined by the statute as "a school or education center that offers a special curriculum capable of attracting substantial numbers of students of different racial backgrounds." Funds may be used for planning and promotional activities, teachers' salaries, and the acquisition of books, materials, and equipment (including computers). Funding is to be related to the improvement of students' knowledge of mathematics, science, history, English, foreign languages, art, or music, or the improvement of vocational skills.

In selecting LEAs to receive awards, the Secretary reviews applications according to criteria established in the regulations. By law, special consideration is given to the recentness of the implementation of the desegregation plan or modification thereof, the proportion of minority group children involved in the approved plan, the need for assistance based on the expense or difficulty of effectively carrying out the approved plan and the project for which assistance is sought, and the degree to which the proposed project affords promise of achieving the purposes of the Act.

The 1986 appropriation act limits the amount of funds any LEA may receive during the fiscal year to $4 million.

This is a current-funded program. However, funds appropriated for one fiscal year are generally used to support activities carried out in the succeeding fiscal year.

Accomplishments

During fiscal year 1985, the first competition under the Magnet Schools Assistance program resulted in the award of two-year grants to 44 local educational agencies. The size of these awards ranged from $4 million (for Chicago, Buffalo, Columbus, Ohio, and Milwaukee) to $214,179 (National City, California).

Accomplishments -- Continued

For 1986, the same LEAs will receive assistance. Because of the sequestration, the size of their grants will be slightly reduced.

Examples of how the Magnet Schools Assistance funds are being used in individual school districts include the following:

o In Buffalo, the program is supporting the operation of 11 elementary schools, 2 middle schools, and 5 high schools. At the elementary level, magnet specialties include mathematics, science, foreign languages, career awareness, dramatics, Montessori instruction, computer-based instruction, open education, and basic skills. The middle-school programs emphasize performing arts and academic achievement. The high school specialties include international studies (with a foreign language emphasis), engineering and technology, law-related education, graphic arts, and machine trades (including courses in computer-assisted design and robotics). Approximately 15,500 students are participating in these programs.

o Bibb County (Macon), Georgia is using its project funds to support two existing magnet schools, which specialize in math and science and in fine arts, and to establish a new magnet school program focusing on writing, literature, and foreign languages. All three programs are at the elementary level and some 1,000 students are participating.

o Houston received a grant to establish a new elementary school program linking academics with high technology. Approximately 300 children are enrolled.

1987 Budget Proposal

For 1987, the budget proposes to increase funding for Magnet Schools Assistance by $3.2 million to the 1986 enacted level of $75 million. These funds would be used for the first year of awards made under a new grant competition.

A report completed for the Department (Lowry and Associates, 1983) found that magnet schools can be an effective means of achieving educational excellence and school desegregation. The report concluded that, "The high quality magnet programs found in urban communities that have given them sufficient commitment and support demonstrate that the magnet school should be considered strongly as a model for excellence in education." Among the report's other conclusions:

1987 Budget Proposal -- Continued

- School districts benefit from magnet school programs by the partnerships and relationships established between magnet schools and the local private sector, higher education institutions, foundations, and non-profit organizations. The magnet school provides an attractive and effective means of drawing the community into the public schools, not just through parent meetings or extra-curricular activities, but through direct participation in designing, implementing, and instructing in magnet school programs.

- Most magnet school programs offer real educational diversity and choice of education to students and parents in affected school districts.

- Quality education in magnet schools does not require selective methods of student admission. Magnet schools with high quality education serve average as well as high-ability students.

- Magnet schools can have a positive effect on holding students in public schools and reducing "white flight." They often help to reduce actual and potential community conflict over desegregation.

We believe that these findings justify continued funding for Magnet Schools Assistance at the increased level of $75 million. The Magnet Schools Assistance program should not be considered a vehicle for long-term support of school districts that operate magnet schools. However, the program can be used to spur development and expansion of the important magnet school concept.

Impact Data	1985	1986 after Sequestering	1987 1/
Number of applications	125	44	125
Number of awards	44	44	44
Maximum grant award	$4,000,000	$4,000,000	$4,000,000
Smallest grant award	$214,000	$205,000	$214,000
Average grant award	$1,705,000	$1,631,000	$1,705,000
Number of awards over $3,000,000	13	12	13
Number of awards under $500,000	14	15	14

1/ Preliminary estimates. Actual amounts will be determined through the grants competition.

5. Women's educational equity
(Women's Educational Equity Act, P.L. 89-10, Title IX, Part C)

1987 Authorization: $14,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987	Increase or Decrease
$6,000,000	$5,742,000	---	---	---

Purpose and Method of Operation

This program promotes educational equity for women and girls through grants and contracts to public agencies, private nonprofit organizations, and individuals.

General grants are made for curriculum development, preservice and inservice training, research, guidance and counseling, and program improvement activities of national, statewide, or general significance. Challenge grants of up to $40,000 support comprehensive plans for implementation of equity programs, innovative school-community partnerships, and new dissemination and replication strategies. A national publishing center, under contract to the Department, publishes and markets products developed by the grantees.

Accomplishments

Each year the Secretary selects categories in which grants will be awarded. For 1985 and several previous years, these categories were Title IX compliance; educational equity for racial and ethnic minority women and girls; educational equity for disabled women and girls; projects to eliminate persistent barriers to educational equity for women and girls; and projects with other purposes allowable under the statute but determined by applicants.

Grants are awarded in a national competition with all applications reviewed by panels of Federal and non-Federal experts in the area of educational equity. More than 265 products from demonstration grants have been made available for national dissemination. In 1985, 60 grants were awarded and the publishing center was continued.

1987 Budget Poposal

No funds are requested for the Women's Educational Equity Act (WEEA) in 1987 because the program has outlived its usefulness as a distinct categorical program.

1987 Budget Proposal -- Continued

A forthcoming study of the WEEA program makes the following conclusions:

- Although all WEEA projects are supposed to be of national, statewide, or general significance, the program has funded many projects that are of no more than local interest. Many focus on a limited number of individuals or a particular institution. This funding pattern may result from a paucity of applications for projects of broader significance.

- The six funding priority areas overlap with one another and with other Department activities conducted under such programs as vocational education, special education, and the Fund for the Improvement of Postsecondary Education. Programs conducted by other agencies, including the National Science Foundation and the National Endowment for the Humanities, also duplicate WEEA activities.

- Evaluation of products from WEEA projects has been uneven. Rigorous evaluation has not been conducted for many of the projects; the review criteria for projects proposed for national dissemination have not included a strong requirement for documentation of effectiveness. This is a serious problem, since the quality and effectiveness of products produced for national dissemination should be demonstrated by evaluation evidence.

- Demand for the products offered by the WEEA publishing center has declined significantly since 1983, possibly because the market for the available products has been saturated. In recent years, the center's costs have been much higher than its return in sales. In 1984, the average Federal cost per individual item sold was $50 while the average price to the consumer was $7.

- The need for the WEEA program has changed over the past decade. Many gains have been made in women's educational equity, particularly at the college and university level. Overt barriers to participation have basically been eliminated at all educational levels. Gains that are being made by younger women will eventually transform the employment and earnings picture for the overall female population.

These findings indicate that there is little remaining need to maintain WEEA as a discrete program. Products produced by the program over the last decade, at a Federal cost of $72 million, will continue to be available to States, school districts, and colleges. States and communities that wish to make sex equity a priority will be able to use the Chapter 2 Block Grant, the proposed Teacher Training and Improvement State grant, and other broader Federal authorities for that purpose.

Special Programs

5. Women's Educational Equity

1987 Budget Proposal -- Continued

In addition, this reduction will help achieve the deficit reductions required by P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985.

Impact Data	1985	1986 Available after Sequestering	1986 Revised	1987
No. of grant awards.	60	57	---	---
National publishing centers...........	1	1	---	---

6. Training and advisory services
(Civil Rights Act of 1964, Title IV)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987	Increase or Decrease
$24,000,000	$22,968,000	$16,000,000	---	-$16,000,000

Purpose and Method of Operation

Title IV of the Civil Rights Act authorizes technical assistance and training services to local educational agencies (LEAs) to address problems associated with desegregation on the basis of race, sex, or national origin. Grants are awarded to regional desegregation assistance centers and to civil rights units within State educational agencies (SEAs) to enable them to assist school districts that request help. SEAs are expected to take the lead in assisting local school districts. The regional centers supplement and support State efforts.

Applications are judged by panels of experts composed of Federal employees, professional educators, and community members. Funds appropriated and awarded for one fiscal year are generally used to support activities carried out during the next fiscal year.

Accomplishments

In 1985, the Department awarded 113 grants to SEAs and 40 grants to desegregation assistance centers.

A study of the program completed in 1985 by Advanced Technology, Inc., found that SEAs and DACs provide a variety of services to local school districts. DACs work mainly with school personnel while SEAs provide services to both district administrators and school staff.

The study also found that the emphasis of the Title IV program has shifted over the years, from "first generation" desegregation issues such as compliance and the assignment of children to schools, to such "second generation" issues as in-school segregation caused by tracking by ability, unequal access to computers, and the low enrollments of women and minorities in advanced math and science courses. This would indicate that the original purpose of the program, to encourage school desegregation, has largely been accomplished.

Special Programs

6. Training and advisory services

1987 Budget Proposal

For 1987, no funding is requested for Training and Advisory Services. This would complete the two-step program phase-out initiated through a rescission of $6,968,000 in 1986.

After 20 years and expenditures of almost $500 million in Federal funds, it appears that the original purpose of this program has largely been accomplished. LEAs undergoing desegregation pursuant to an agreement approved by a court or by the Department's Office for Civil Rights are eligible to apply for support under the Magnet Schools Assistance program. Remaining educational equity issues would be best addressed at the State level. The proposed two-year phase-out of direct Federal support would permit a smooth transition to State responsibility.

In addition, this reduction will help achieve the deficit reductions required by P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985.

Impact Data	1985	1986 Available after Sequestering	1986 Revised	1987
Number of awards:				
SEAs	113	109	109	---
DACs	40	40	25	---
Funding:				
SEAs	$14,000,000	$13,398,000	$10,000,000	---
DACs	$10,000,000	$9,570,000	$6,000,000	---
Average award:				
SEAs	$124,000	$119,000	$88,000	---
DACs	$250,000	$240,000	$240,000	---

7. General assistance to the Virgin Islands
(Education Amendments of 1978, P.L. 95-561, Section 1524)

1987 Authorization: $5,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$5,000,000	$4,785,000	---	---	---

Purpose and Method of Operation

Under this program, an award is made to the Virgin Islands to be used for elementary and secondary education. The authorizing legislation is very broad, limiting use of the funds only to "general assistance to improve public education." For the most part, the education department in the Virgin Islands has used the funds to expand and renovate school buildings and to correct asbestos and other school building problems. Funds appropriated and awarded for one fiscal year are generally used to support activities in the next fiscal year.

Accomplishments

In 1985, construction and/or renovations were undertaken on 10 classrooms; security systems and a fire alarm system were purchased to protect Federal property; progress continued on a flood prevention and soil erosion program; roofs were repaired in two schools; printing equipment and supplies were purchased for a curriculum center; and several other construction-related projects were initiated or continued. The work directly affected 6,033 students and indirectly affected 26,241 students.

1987 Budget Proposal

No funds are requested for this program in 1987. A considerable amount of school-related construction has been completed with funds from this program since it was first funded in 1980 and the school age population in the Virgin Islands has nearly stabilized since then. No additional funds for construction should be necessary. Funds available from the Chapter 2 Block Grant (about $1.4 million) and other Department of Education programs under the consolidated grant authority (about $5.7 million) should be adequate to meet the Federal responsibility for education in the Virgin Islands. Furthermore, this reduction will help to achieve the deficit reductions required by P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985.

Special Programs

7. General assistance to the Virgin Islands

1987 Budget Proposal -- Continued

Under the consolidated grant authority for the Outlying Areas, the Virgin Islands has chosen to administer funds from other Departmental formula programs (Chapter 1, Science and Mathematics Education, Vocational and Adult Education, and Education for the Handicapped) under the Chapter 2 Block Grant authority. While this is the most flexible authority, Chapter 2 does not authorize expenditures for construction. If there is still a strong need for construction, the Virgin Islands may be able to utilize the waiver authority in Section 1003 of the Elementary and Secondary Education Act to provide added flexibility. That section permits the Secretary to waive any of the requirements of Chapter 2 deemed impractical or inappropriate to the Virgin Islands or other Territories due to their particular conditions or circumstances.

8. Ellender fellowships
(Joint Resolution of October 19, 1972, P.L. 92-506, as amended by P.L. 98-312)

1987 Authorization: $2,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$1,700,000	$1,627,000	---	---	---

Purpose and Method of Operation

This program is administered by the Close Up Foundation of Washington, D.C. The Foundation provides fellowships to students from low-income families and their teachers to enable them to participate with approximately 17,200 others who pay their own tuition and travel costs for the Close Up program. The students spend one week in Washington attending seminars on current events and meeting with leaders from the three branches of government. This is a forward funded program. Funds are available for obligation from July 1 of the fiscal year for which they are appropriated through September 30 of the following fiscal year.

Accomplishments

In 1985-86, 5,800 students and teachers will receive fellowships to allow them to participate in the Close Up Foundation program. Fellowships for students from low-income families and their teachers represent about 25 percent of the participants in the Close Up program and Federal funds contribute about one-third of the funds for those fellowships. The Close Up Foundation has demonstrated an excellent capability for raising private funds to support this program. In 1985, program activities were expanded by developing television tapes for instruction and by adding curriculum materials to meet the special needs of bilingual students participating in the program.

1987 Budget Proposal

No funds are requested for this program in 1987. Fellows (students from low-income families) and their teachers represent about 25 percent of the participants in the Close Up program and Federal funds contribute about one-third of the funds for those fellowships. The remaining funds come from private sources. Federal funds account for only about 8.5 percent of the total Close Up budget, estimated to be about $20 million for the 1985-86 school year.

8. Ellender fellowships

1987 Budget Proposal -- Continued

Considering the large and increasing amount of community and private support which the Close Up Foundation has managed to generate for its program while expanding its activities, the fellowship component for students from low-income families should be able to continue at least at its current level without a subsidy from the Federal Government.

Furthermore, other organizations (such as the Washington Workshop Foundation) that offer similar government education programs in Washington also provide financial assistance to economically disadvantaged secondary school students, but they do so without Federal financial support. If States and local school districts wish, they may still use Federal funds such as Chapter 2 Block Grants to send participants to such programs.

In addition, this reduction will help achieve the deficit reductions required by P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Total Close Up participants	21,198	23,000	23,000	23,000
Total number of fellowships	5,581	5,800	5,800	5,800
Average cost of fellowships	$570	$756	$756	$756
Federal share per fellowship	$268	$281	---	---
No. of schools participating	2,504	2,800	2,800	2,800

9. Follow through
(Follow Through Act)

1987 Authorization: --- 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$7,500,000	$7,177,000	---	---	---

1/ The authorization for this program is repealed at the end of fiscal year 1986.

Purpose and Method of Operation

This program was designed to improve the quality of educational services for children from low-income families in the early elementary grades. The intent was to sustain the gains made by preschool children through the Head Start program. Follow Through projects use one of 21 specific models for compensatory education. Grants under the program are awarded to three types of entities: local educational agencies, sponsors, and resource centers.

- Local educational agencies (LEAs) provide direct compensatory education programs and services to children from low-income families in kindergarten through grade school.
- Sponsors are universities or research organizations which provide training, technical assistance, and evaluation services to the LEA projects on their specific Follow Through models.
- Resource centers are not so much centers as they are demonstration projects of Follow Through school district programs that have been recognized as exemplary by the Department and have received additional Federal funds to disseminate their projects. They are LEAs that also receive grants under the LEA portion of the program.

Follow Through was first funded in 1968. All of the current grantees have been receiving funds since 1972 and no new grantees have come into the program since. Funds appropriated and awarded for one fiscal year generally support activities carried out in the next fiscal year.

Accomplishments

In 1985, 90 continuation grants were awarded, including 59 for LEA projects, 15 for university sponsors, and 16 for supplementary resource centers in the LEA projects. Under the program:

Accomplishments -- Continued

- The same 59 local educational agencies have received funding for the past 12 years;
- The same 15 sponsors have served these same LEAs during those years; and
- Sixteen of the 59 LEA projects have received additional funds (an average of $37,500 in 1985) for each of the past nine years to demonstrate and disseminate their projects to other LEAs.

By 1985, each sponsor, funded at an average of $53,000, served an average of four LEA Follow Through projects.

1987 Budget Proposal

No funds are requested for this program in 1987. Follow Through, originally intended as a short-term experimental program, was previously scheduled to be completely phased into the Chapter 2 Block Grant program after the 1984 appropriation. However, the Congress reauthorized the program for two more years at gradually decreasing funding levels.

The phase out of Follow Through has been gradual, and school districts have had ample time to prepare to assume financial responsibility for maintaining their projects. Activities to improve educational programs for children in early elementary grades can be carried out under the Chapter 2 State Block Grant program. Furthermore, services to educationally deprived children may be carried out under Chapter 1 Grants to LEAs.

In addition, this reduction will help achieve the deficit reductions required by P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
No. of awards:				
LEA projects	59	59	---	---
Sponsors (universities)	15	15	---	---
Resource Centers (LEAs)	(16)	(16)	---	---
Total grantees	74	74	---	---

Special Programs

State Block Grants 1/

State or Outlying Area	1985 Appro. for 1986	1986 Appro. for 1987	1987 Appro. for 1988
TOTAL	$500,000,000	$478,500,000 2/	$500,000,000
Alabama	8,618,709	8,216,280	8,585,454
Alaska	2,473,405	2,367,192	2,473,555
Arizona	6,026,851	5,875,946	6,139,964
Arkansas	4,954,717	4,761,023	4,974,945
California	47,454,946	45,952,910	48,017,670
Colorado	6,110,124	5,956,301	6,223,930
Connecticut	6,089,305	5,725,281	5,982,529
Delaware	2,473,405	2,367,192	2,473,555
Florida	18,601,007	17,959,301	18,766,250
Georgia	12,397,201	11,902,557	12,437,364
Hawaii	2,473,405	2,367,192	2,473,555
Idaho	2,473,405	2,367,192	2,473,555
Illinois	23,524,496	22,348,683	23,352,856
Indiana	11,731,021	11,129,142	11,629,197
Iowa	5,933,169	5,665,015	5,919,555
Kansas	4,704,899	4,530,003	4,733,545
Kentucky	7,952,529	7,613,619	7,955,714
Louisiana	9,940,661	9,602,400	10,033,856
Maine	2,473,405	2,367,192	2,473,555
Maryland	8,566,664	8,025,437	8,386,037
Massachusetts	11,002,386	10,285,416	10,747,561
Michigan	19,714,777	18,521,785	19,354,007
Minnesota	8,441,755	8,025,437	8,386,037
Mississippi	6,047,669	5,785,547	6,045,503
Missouri	9,867,798	9,431,647	9,855,430
Montana	2,473,405	2,367,192	2,473,555
Nebraska	3,247,630	3,123,793	3,264,152
Nevada	2,473,405	2,367,192	2,473,555
New Hamshire	2,473,405	2,367,192	2,473,555
New Jersey	14,812,105	13,991,782	14,620,462
New Mexico	3,101,903	3,013,306	3,148,700
New York	34,516,473	32,744,587	34,215,870
North Carolina	12,490,883	11,922,646	12,458,355
North Dakota	2,473,405	2,367,192	2,473,555
Ohio	22,462,771	21,233,760	22,187,837

Special Programs

State Block Grants 1/

State or Outlying Area	1985 Appro. for 1986	1986 Appro. for 1987	1987 Appro. for 1988
TOTAL	$500,000,000	$478,500,000 2/	$500,000,000
Oklahoma	6,588,941	6,488,651	6,780,200
Oregon	5,277,398	5,042,265	5,268,824
Pennsylvania	23,076,906	21,806,288	22,786,090
Rhode Island	2,473,405	2,367,192	2,473,555
South Carolina	7,088,576	6,789,982	7,095,070
South Dakota	2,473,405	2,367,192	2,473,555
Tennessee	9,680,434	9,230,759	9,645,517
Texas	33,392,294	32,764,676	34,236,861
Utah	3,955,446	4,027,785	4,208,762
Vermont	2,473,405	2,367,192	2,473,555
Virginia	10,991,977	10,486,303	10,957,475
Washington	8,483,391	8,135,925	8,501,489
West Virginia	4,184,446	4,007,696	4,187,771
Wisconsin	9,857,389	9,331,203	9,750,473
Wyoming	2,473,405	2,367,192	2,473,555
District of Columbia	2,473,405	2,367,192	2,473,555
Puerto Rico	9,163,593	8,842,515	9,239,828
American Samoa	483,834	460,418	481,105
Guam	1,368,799	1,302,552	1,361,079
Northern Marianas	243,058	231,294	241,687
Trust Territory	1,833,086	1,744,370 3/	1,822,747 3/4/
Virgin Islands	1,390,313	1,323,026	1,382,472
	350,573,094	334,648,332	

1/ One percent of the total appropriation for Chapter 2 is reserved for the Outlying Areas. An additional amount of up to 6 percent is reserved for the Secretary's Discretionary Fund. The remainder is distributed to the 50 States, D.C., and Puerto Rico on the basis of the 5- to 17-year-old population. No State receives less than 0.5 percent of the remainder.

2/ Reflects a reduction of $21,500,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

3/ At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986; in 1987, funds will be reallocated among other recipients.

4/ Upon enactment of the Compact of Free Association for Palau, amounts appropriated for assistance to Palau shall not be available.

Special Programs

Teacher Training and Improvement[1]
State Grants

State or Outlying Area	1985 Appro. for 1986	1986 Appro. for 1987	1987 Appro. for 1988
TOTAL	---	---	$60,000,000[2]
Alabama	---	---	1,057,313
Alaska	---	---	133,134
Arizona	---	---	756,147
Arkansas	---	---	612,673
California	---	---	5,913,458
Colorado	---	---	766,488
Connecticut	---	---	736,759
Delaware	---	---	146,059
Florida	---	---	2,311,096
Georgia	---	---	1,531,682
Hawaii	---	---	253,342
Idaho	---	---	284,363
Illinois	---	---	2,875,944
Indiana	---	---	1,432,155
Iowa	---	---	729,003
Kansas	---	---	582,944
Kentucky	---	---	979,760
Louisiana	---	---	1,235,686
Maine	---	---	292,118
Maryland	---	---	1,032,755
Massachusetts	---	---	1,323,580
Michigan	---	---	2,383,479
Minnesota	---	---	1,032,755
Mississippi	---	---	744,514
Missouri	---	---	1,213,713
Montana	---	---	211,980
Nebraska	---	---	401,986
Nevada	---	---	210,687
New Hampshire	---	---	239,123
New Jersey	---	---	1,800,535
New Mexico	---	---	387,768
New York	---	---	4,213,742
North Carolina	---	---	1,534,268
North Dakota	---	---	175,788
Ohio	---	---	2,732,470

Special Programs

Teacher Training and Improvement[1]
State Grants

State or Outlying Area	1985 Appro. for 1986	1986 Appro. for 1987	1987 Appro. for 1988
TOTAL	---	---	$60,000,000[2]
Oklahoma	---	---	834,993
Oregon	---	---	648,865
Pennsylvania	---	---	2,806,146
Rhode Island	---	---	218,442
South Carolina	---	---	873,770
South Dakota	---	---	182,251
Tennessee	---	---	1,187,862
Texas	---	---	4,216,328
Utah	---	---	518,316
Vermont	---	---	130,548
Virginia	---	---	1,349,432
Washington	---	---	1,046,973
West Virginia	---	---	515,731
Wisconsin	---	---	1,200,787
Wyoming	---	---	139,596
District of Columbia	---	---	122,793
Puerto Rico	---	---	1,137,900
American Samoa	---	---	27,289
Guam	---	---	77,201
Northern Marianas	---	---	13,709
Trust Territory	---	---	103,387 [3]/[4]
Virgin Islands	---	---	78,414
Indian schools	---	---	300,000

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[1] Up to 20 percent of the total appropriation would be reserved for the Secretary's Discretionary Fund. Of the remainder, 1 percent would be distributed to the Outlying Areas and Indian schools and 99 percent would be distributed to the States, D.C., and Puerto Rico on the basis of population aged 5-17.

[2] Request pending submission of proposed legislation.

[3] At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will be reallocated among other recipients.

[4] Upon enactment of the Compact of Free Association for Palau, amounts appropriated for assistence to Palau shall not be available.

Special Programs

Science and Mathematics Education 1/
State Grants

State or Outlying Area	1985 Appro. for 1986	1986 Appro. for 1987	1987 Appro. for 1988
TOTAL	$90,100,000	$39,190,060 2/	---
Alabama	1,546,285	672,650	---
Alaska	445,500	193,797	---
Arizona	1,105,839	481,051	---
Arkansas	896,013	389,775	---
California	8,648,231	3,762,068	---
Colorado	1,120,962	487,630	---
Connecticut	1,077,485	468,717	---
Delaware	445,500	193,797	---
Florida	3,379,899	1,470,290	---
Georgia	2,240,034	974,437	---
Hawaii	445,500	193,797	---
Idaho	445,500	193,797	---
Illinois	4,205,970	1,829,640	---
Indiana	2,094,479	911,119	---
Iowa	1,066,143	463,783	---
Kansas	852,536	370,862	---
Kentucky	1,432,865	623,311	---
Louisiana	1,807,150	786,128	---
Maine	445,500	193,797	---
Maryland	1,510,369	657,026	---
Massachusetts	1,935,692	842,045	---
Michigan	3,485,757	1,516,339	---
Minnesota	1,510,369	657,026	---
Mississippi	1,088,826	473,651	---
Missouri	1,775,014	772,149	---
Montana	445,500	193,797	---
Nebraska	587,891	255,738	---
Nevada	445,500	193,797	---
New Hampshire	445,500	193,797	---
New Jersey	2,633,221	1,145,478	---
New Mexico	567,097	246,693	---
New York	6,162,456	2,680,730	---
North Carolina	2,243,814	976,082	---
North Dakota	445,500	193,797	---
Ohio	3,996,144	1,738,363	---

Special Programs

Science and Mathematics Education[1/]
State Grants

State or Outlying Area	1985 Appro. for 1986	1986 Appro. for 1987	1987 Appro. for 1988
TOTAL	$90,100,000	$39,190,060[2/]	---
Oklahoma	1,221,149	531,212	---
Oregon	948,943	412,800	---
Pennsylvania	4,103,893	1,785,235	---
Rhode Island	445,500	193,797	---
South Carolina	1,277,859	555,881	---
South Dakota	445,500	193,797	---
Tennessee	1,737,208	755,703	---
Texas	6,166,236	2,682,375	---
Utah	758,020	329,746	---
Vermont	445,500	193,797	---
Virginia	1,973,498	858,492	---
Washington	1,531,162	666,071	---
West Virginia	754,239	328,102	---
Wisconsin	1,756,111	763,926	---
Wyoming	445,500	193,797	---
District of Columbia	445,500	193,797	---
Puerto Rico	1,664,141	723,918	---
American Samoa	45,481	19,587	---
Guam	128,668	55,412	---
Northern Marianas	22,848	9,840	---
Trust Territory	172,312	74,208 [3/]	---
Virgin Islands	130,691	56,283	---
Indian schools	500,000	215,330	---

[1/] For 1985, 1 percent of the total appropriation for Science and Mathematics Education was reserved for the Outlying Areas and Indian schools. Of the remainder, 10 percent was reserved for the Secretary's Discretionary Fund and 90 percent was distributed to the 50 States, D.C., and Puerto Rico on the basis of the 5- to 17-year-old population. Beginning in 1986, 1 percent of the appropriation is for the Outlying Areas and Indian schools, 9 percent is for the Secretary's Discretionary Fund, and 90 percent is for the States, D.C. and Puerto Rico. No State receives less than 0.5 percent of the amount available to the States.

[2/] Reflects a reduction of $1,760,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Special Programs

Science and Mathematics Education[1/]
State Grants

3/ At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986.

WEDNESDAY, APRIL 9, 1986.

IMPACT AID

WITNESSES

LAWRENCE F. DAVENPORT, ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

LOIS A. BOWMAN, DEPUTY ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

W. STANLEY KRUGER, DIRECTOR, DIVISION OF IMPACT AID, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION

LAWRENCE L. BROWN, III, DIRECTOR, DIVISION OF ELEMENTARY, SECONDARY AND VOCATIONAL ANALYSIS, OFFICE OF PLANNING, BUDGET AND EVALUATION

Mr. NATCHER. At this time, we take up the budget request for Impact Aid for fiscal year 1987. We have before the committee Mr. Lawrence F. Davenport, Assistant Secretary for Elementary and Secondary Education.

Tell us who you have with you at the table.

Mr. DAVENPORT. I have, to my immediate right, Sally Christensen, Director, Budget Service, Office of Planning, Budget and Evaluation; and to my far right is Lawrence Brown, Director, Division of Elementary, Secondary, and Vocational Analysis, Office of Planning, Budget and Evaluation; and to my immediate left, Lois A. Bowman, Deputy Assistant Secretary for Elementary and Secondary Education; and to my far left, Stanley Kruger, Director, Division of Impact Aid, Office of Elementary and Secondary Education.

Mr. NATCHER. We are delighted to have all of you before the committee, and Dr. Davenport, we will be pleased to hear from you at this time.

Mr. DAVENPORT. If I could have my full statement entered into the record, I will give you a summary.

Mr. NATCHER. It will be placed in the record in its entirety.

OPENING STATEMENT

Mr. DAVENPORT. Mr. Chairman and members of the committee, we appreciate this opportunity to appear before you to discuss the 1987 appropriation request for Impact Aid. The President's budget contains a request of $548 million for Impact Aid program activities.

This budget recognizes the urgent need to curtail expenditures in order to control the Federal deficit. At the same time, the request maintains the Federal Government's commitment to compensate school districts for the cost of educating children when enrollments and the availability of revenue from local sources have been adversely affected by Federal activities.

The request includes $533 million for maintenance and operations activities, $10 million for disaster assistance, and $5 million for construction.

The 1987 request is $114.7 million less than the post-sequester level, and $144.5 million less than the 1986 enacted level. Most of this decrease is due to the Administration's decision to propose the elimination of payments for "b" children.

These are children who reside or whose parents work on Federal property and whose presence creates no significant burden for local school districts. Our policy is to focus Federal aid on those school districts that are the most heavily burdened by the effects of Federal activities.

Payments will be made only to districts that enroll students whose parents both live and work on Federal property, and thus do not generate local property tax revenues.

My colleagues and I will be happy to respond to any questions you may have.

[The statement of Mr. Davenport follows:]

DEPARTMENT OF EDUCATION

Statement by the Assistant Secretary for

Elementary and Secondary Education

on

Impact Aid

Mr. Chairman and Members of the Committee:

We appreciate this opportunity to appear before you to discuss the 1987 appropriation request for Impact Aid. The President's Budget contains a request of $548 million for Impact Aid program activities under Public Law 81-874 and Public Law 81-815. This request recognizes the urgent need to curtail expenditures in order to control the Federal deficit while maintaining the Federal Government's commitment to compensate school districts for the cost of educating children when enrollments and the availability of revenue from local sources have been adversely affected by Federal activities.

The request includes $533 million for Maintenance and Operations activities under Sections 2 and 3, $10 million for Section 7, Disaster Assistance, and $5 million for Construction. The 1987 request is $114.7 million less than the post-sequestration level and $144.5 million less than the 1986 enacted level. Most of this decrease is due to the Administration's decision to propose the elimination of payments for "b" children. These are children who reside or whose parents work on Federal property and whose presence creates no significant burden for local school districts. In keeping with the policy of focusing Federal aid on those school districts that are the most heavily burdened by the effects of Federal activities, payments will be made only to districts that enroll students whose parents both live and work on Federal property, and thus do not generate local property tax revenues.

Maintenance and Operations

Of the $533 million requested for Maintenance and Operations, the budget proposes to increase funding for Section 3(a) by $22 million to the 1986 enacted level of $513 million. These funds will be used for making payments for children who reside and whose parents work on Federal property or are on active duty in the uniformed services.

For 1987, a more equitable distribution formula is proposed for payments under this section. This revised formula would continue to provide higher rates of payment for districts with high proportions of federally connected children. However, the proposed formula contains a graduated scale, with several stages at which payment rates would decrease, instead of the current, abrupt transition from full funding or nearly full funding to less than half of that amount when a district has fewer than 20 percent Federal children. The exception to this level of funding would be for payments on behalf of children who reside in federally subsidized, low-rent housing. These payments will continue to be made at the reduced rate of no more than 15 percent of entitlement because the presence of these children in a school district is generally not a direct result of Federal activities. We expect to make Section 3(a) payments to approximately 1,100 districts in 1987 under this proposal, of which about 330 have 20 percent or more "a" children.

In 1987, the Department proposes to earmark a specific amount of available funds for increased payments to districts eligible under Section 3(d)(2)(B). These are districts that are particularly heavily burdened by the presence of federally connected children, that meet specific criteria in the program statute, and that do not have sufficient funds to provide a level of education comparable to similar districts in their State. Funds for 1987 payments under this provision would be limited to $10 million, an amount which has generally been sufficient to meet all claims for these payments. In line with the termination of payments for "b" children, Section 3(b) children will not be counted for eligibility and/or payments under Section 3(d)(2)(B) in 1987.

In addition, in 1987, the Department proposes to restore a provision requiring a $5,000 minimum payment under Section 3. This minimum, which was in effect in fiscal years 1982-84, eliminates small payments to districts with very few federally connected children. Through the minimum payment requirement, funds are reserved for only those districts experiencing actual financial burdens due to Federal activities.

The $20 million requested for Section 2, which is $1 million less than the post-sequestration level and $2 million less than the enacted 1986 appropriation, is still expected to be sufficient to permit payments to be made at 100 percent of entitlement. We estimate that Section 2 payments will be made to about 260 districts that have suffered a partial loss of tax base, totaling 10 percent or more of assessed value, due to the acquisition since 1938 of real property by the United States Government. These payments are not tied to the presence of federally connected children in the district. In fact, almost half of the districts that receive Section 2 payments do not receive payments for federally connected children because they either have no such children or they have too few to meet the program's basic eligibility criteria.

Disaster Assistance

For 1987, the budget proposes to increase funding for Section 7 by $430,000 to the 1986 enacted level of $10 million. Because the level of funds required for disaster assistance fluctuates greatly from year to year, the budget proposal includes a request that funds remain available until expended. This provision, first adopted in 1985, increases the Department's flexibility to meet the varying levels of demand for disaster assistance.

Construction

Construction funds are requested for 1987 only for awards under Sections 14(a) and (b). For this activity, the request is $5 million. This is $2.2 million less than the amount for Sections 14(a) and (b) for 1986 after sequestering, and $11.7 million less than the 1986 amount for all construction activities after sequestering.

Local educational agencies that serve children residing on Indian lands and are eligible under Sections 14(a) and (b) appear to have the greatest need for new or additional facilities and the least funds available from other sources. Construction under Sections 5 and 14(c) will have to be postponed until the Federal deficit is reduced. Grants under these sections are generally for a small proportion of the total cost of the projects. Applicants may be able to find funds from other sources enabling them to complete their projects without Federal funds.

For Section 10, which authorizes the repair and construction of facilities to serve children residing on Federal property, funds have been made available through the Department of Defense as well as the Department of Education since 1984. Although our request includes no funds for Section 10 construction, the Department of Defense budget proposal for 1987 includes $20 million for Section 10 activities.

My colleagues and I will be happy to respond to any questions you may have.

DEPARTMENT OF EDUCATION

Office of Elementary and Secondary Education

Biographical Sketch

NAME : Lawrence F. Davenport

POSITION : Assistant Secretary for Elementary and Secondary Education

BIRTHPLACE AND DATE : Lansing, Michigan, October 13, 1944

EDUCATION : Michigan State University, 1966, B.A.
Michigan State University, 1968, M.A.
Fairleigh Dickinson University, 1975, Ed.D.

EXPERIENCE

PRESENT : Assistant Secretary for Elementary and Secondary Education

1981-1982 : Associate Director for Domestic and Anti-Poverty Operations, ACTION
1979-1981 : Provost, San Diego Community College District
1974-1979 : President, San Diego Community College Educational Cultural Complex
1972-1974 : Vice President for Development, Tuskegee Institute
1972-1972 : Assistant Dean for Special Projects, the University of Michigan-Flint
1969-1972 : Director of Special Projects, the University of Michigan-Flint
1968-1969 : Assistant Director of Student Activities, Lansing Community College

EFFECTS OF SEQUESTERED FUNDS

Mr. **Natcher**. For 1986, an amount of $29,789,000 is being sequestered under the Impact Aid program. Is the reduction, Doctor, being applied to all categories and subcategories of payments, using a uniform percentage?

Mr. **Davenport**. To all of those except the coterminous districts and 3(d)(2)(B) districts.

Mr. **Natcher**. How are payments under section 3(d)(2)(B) affected by this reduction?

Mr. **Kruger**. Under section 3, "Super a" and "Super b" districts as well as all others would be affected by the 4.3 percent. Under section 2, we would reduce the money available, but funds will be sufficient for 100 percent payments under section 2. The additional funds paid to districts eligible under section 3(d)(2)(B) would not be reduced.

Mr. **Natcher**. Are you aware of any funding problems among "Super a" or "Super b" school districts as a result of the sequestration?

Mr. **Davenport**. No, sir.

Mr. **Natcher**. What have you heard from the impacted district in Bellevue, Nebraska? Any problems there?

Mr. **Kruger**. Well, we communicate semi-annually in face-to-face conversations with the Superintendent and others at Bellevue. I think they obviously have a concern about the future.

The history for Bellevue in recent years is that about every year they are eligible for and receive 3(d)(2)(B) payments.

Mr. **Natcher**. Have you heard anything from any of the school districts about the reductions from sequestration?

Mr. **Kruger**. The Association of Federally Impacted Schools met here in Washington recently, and in conversations with a number of districts, they indicated they are concerned about any activity that would reduce their payments.

The Gramm-Rudman-Hollings or other effects are of concern to them.

Mr. **Natcher**. Does the sequestered reduction of 4.3 percent have any effect on the operation of this program in the school districts?

Mr. **Kruger**. Well, as I indicated, we have met recently with a number of districts, and they are concerned about any action that would reduce their Impact Aid payments. I don't have any specific information from any district as to a direct effect in terms of reductions in staff or monies available for materials, supplies or information of that kind.

Their concern has instead been expressed in terms of a lesser payment coming to them from Impact Aid, and its overall budgetary effect.

PRELIMINARY PAYMENTS

Mr. **Natcher**. Have all preliminary payments been made to impacted school districts for 1986?

Mr. **Davenport**. No, sir, they are in the process.

Mr. **Kruger**. We have made payments to 830 school districts that requested preliminary payments. There are only a handful of districts that have requested payment that are—in our terms—blocked because of some question about data or procedural matters.

The preliminary payments are somewhat in excess of $305 million.

Mr. NATCHER. Have any of the districts received their full payment for 1986?

Mr. KRUGER. Some districts have, yes. We receive applications as of January 31. We have processed—after those applications were received—payments to some 300 districts, in addition to the 830 districts for which we made preliminary payments.

For some of those 300 districts, this initial payment, in our terminology, will constitute a full and final payment. They will receive no further payment.

For others, there will be some adjustment as soon as we are in a better position to know, for example, how much money will be available after proration for regular "a's" and "b's."

We also have, in addition to the 300 districts paid initial payments, an additional 1,500-plus districts that are what I call in payment status. They have gone to the computer processing contractor for the preparation of vouchers, and the submission of those to Treasury for payment.

PROGRAM CHANGES PROPOSED FOR 1987

Mr. NATCHER. As you know, for 1987, the budget proposes a number of program changes, including a new payment, formula. Are these changes based on recent studies of the Impact Aid program?

Mr. BROWN. No, they are not. What they are based on are the comments we have had from the field and from the Congress relating to the inequities of paying such drastically different amounts of funds to districts that are very similar, but don't, for example, meet the "Super a" status or "Super b" status threshold by maybe a half a percent or less than a half a percent.

The proposal would essentially smooth out the payment levels to all districts, so that that big gap between the district that had 19 percent of its enrollment, and the district that had 20 percent of its enrollment who were "a" children would not be so great as it is now.

PROPOSAL TO DROP "b" PAYMENTS

Mr. NATCHER. Have you made any studies concerning the termination of category "b" money?

In the budget that we have before us, as usual, for the last several years, you drop out "b" category. Have you checked to see what effect it will have on any of these school districts throughout the United States?

Mr. BROWN. We have not done any formal studies of the effect of this particular policy. We have done some informal reviews of the general impact that the change would have on districts.

In general, it is fair to say that the amount of payments that go to districts under section 3(b) represent a very small proportion, for the most part, of their budgets. We don't think that the elimination of these payments, in most instances at any rate, will make a large difference.

Mr. **Davenport**. The major thing to keep in mind is that these parents are contributing to the State and local tax base from which educational expenditures are funded at almost the same rate of parents of non-Federal children. This would be about three-tenths of 1 percent of their budget that would be affected by the elimination of "b" payments, so this is not a hardship to any school district.

Mr. **Natcher**. You gave us almost the same statement last year, almost identical word for word. During the past 10 years, how often have you dropped category "b" out completely?

Mr. **Davenport**. The Congress dropped "b's" out several years ago, and then decided to extend the authorization. That was the first time that they had actually been put into a phase-out mode. They haven't been completely dropped out, that I can recall.

Mr. **Natcher**. In the budget request for fiscal year 1986, did you request category "b" money?

Ms. **Christensen**. In 1986, we did not request it.

Mr. **Natcher**. For 1985, did you request category "b" money?

Ms. **Christensen**. No.

Mr. **Natcher**. For 1984, did you request category "b" money? Or 1983?

Ms. **Christensen**. No.

Mr. **Natcher**. We don't have any trouble with getting answers from you, Ms. Christensen. You dropped it out from year to year, and we put it back every time. Isn't that right?

Ms. **Christensen**. That is right.

Mr. **Natcher**. We don't want you laboring under any misapprehension this time. It is going back. You have my word on it. It is going back. You come in here year after year, and you drop it out, but you don't justify it.

You have never justified it to the satisfaction of this committee. So this time, don't worry about it. Ms. Christensen, you believe it is going back, don't you?

Ms. **Christensen**. I would——

Mr. **Natcher**. Knowing this committee like you do, what would you say?

Ms. **Christensen**. I would say it might be a good guess.

Mr. **Natcher**. We are not fussing at any of you now.

Ms. **Christensen**. In the past 28 years or so, virtually every Administration, Republican or Democrat, has come in with this same proposal, because of the inequity in these payments, and the fact that "b's" do not constitute a burden.

These districts come out and compete to have a lot of these installations. We have a total, 100 percent commitment to the "a" children, those who live and whose parents work on Federal property. I think Mr. Davenport did say earlier that Congress in fact, for the first time, actually agreed with us in 1981. In spite of the fact that there are so many districts—I guess probably every Member of Congress has a district or districts that are really affected by this—in 1981, they agreed to phase it out over three years, but then came back and extended it.

PROPOSED PAYMENT FORMULA

Mr. **Natcher**. We agree with you and your statement, with the exception of the word "inequity." As you point out, off and on now for about 14 years, this has been proposed not only under this Administration but prior Administrations.

EFFECTS OF PROPOSED PAYMENT FORMULA

Which school districts would receive an increased payment, and which would receive reduced payments based on your payment formula? Give me an example or two, please.

Mr. **Kruger**. Under the present formula, "Super a" districts, for example, receive payment of 100 percent of entitlement. What is proposed is that districts that have greater than 50 percent, rather than 20 percent, would receive 100 percent of entitlement. The graduated scale that is proposed would result in some reduction for districts that range from 20 percent to 50 percent.

On the other hand, we now prorate entitlements drastically for districts with less than 20 percent "a's", and this drop from 100 percent to approximately 40 percent has been a cause of financial stress to a number of districts.

The graduated scale would increase the percent of entitlement paid for districts between the 10 percent and 20 percent level of impaction.

Mr. **Natcher**. Have you submitted the proposed Impact Aid changes to the authorizing committee?

Mr. **Brown**. Yes.

PAYMENTS FOR HAWAII

Mr. **Natcher**. The State of Hawaii has been allowed to treat its administrative units as local school districts for purposes of Impact Aid payments, as you know. A payment cap was placed on their payment through 1986.

Can you tell us the effect of removing the cap on payments to Hawaii under current law, and under your proposed payment formula for 1987? What would you say about this?

Mr. **Kruger**. I will have to report back to you.

Mr. **Natcher**. Give us an estimate for the record.

What is the total section 3 payment estimated for Hawaii for 1986 and 1987? You can put that in the record.

Mr. **Kruger**. I don't have it at this time.

Mr. **Natcher**. All right.

[The information follows:]

Estimated Payments to Hawaii Under Section 3

For fiscal year 1986, the current estimate of the section 3 payment for Hawaii is approximately $11.5 million. Under the conditions proposed for fiscal year 1987 payments, the estimate of the payment for Hawaii for 1987 is approximately $19.4 million.

SECTION 6 SCHOOLS

Mr. **NATCHER**. The 1986 Military Construction Authorization Act includes a provision to transfer section 6 schools to local school districts by 1990.

Tell us, if you will, generally what the effect of this transfer will be on the Impact Aid program? What would we have here?

Mr. **KRUGER**. Those students that are now funded through DoD appropriations, under section 6, would become the responsibility of local educational agencies, and we would add about 35,000 students to the section 3 Impact Aid rolls.

The budgetary effect, on average, about one-half of the cost for educating those youngsters would be covered by State aid, so the net effect to the Federal budget would be diminished by about half. Obviously for the State budgets it would be increased by that amount.

The effect on local educational agencies would vary, depending upon whether the addition of the numbers of children in a given installation would result in the receiving district becoming in some instances a "Super a" district, or whether in fact they would be less than that, and a greater proportion of the local share would have to be covered by local revenues.

Mr. **NATCHER**. How many section 6 schools do we have?

Mr. **KRUGER**. There are 18 section 6 schools. There are half a dozen section 6 arrangements which provide for some costs, for transportation or other functions.

Mr. **NATCHER**. Go ahead, Doctor.

Mr. **DAVENPORT**. Many years ago, there used to be something like 30-odd section 6 schools in the country, and those schools have been absorbed by the local school districts.

Mr. **KRUGER**. We have eliminated since 1957, 75 section 6 schools.

Mr. **NATCHER**. Does the Department support the proposed transfer?

Mr. **KRUGER**. The Department of Education has for several years been in favor of the elimination of section 6 schools. The program staff particularly feels that statutory criteria which require the establishment of section 6 schools, primarily that there is no local education agency available to provide a suitable free public education, no longer obtain anywhere in the U.S.

Mr. **NATCHER**. Section 6 schools are now being fully funded, as far as operating expenses are concerned, and construction needs.

Wouldn't that be a correct statement?

Mr. **KRUGER**. Right.

Mr. **NATCHER**. We understand for 1986, section 6 schools received $110 million for operating expenses, and $31.6 million for construction. Would these schools likely receive these same amounts if they were transferred to the regular Impact Aid program?

Mr. **DAVENPORT**. Not necessarily the same amounts, especially in construction. You have certain school districts which have unused capacity, and you have section 6 schools building new schools down the road.

It would be a leveling out of the construction needs, because some would not be needed because they would be using facilities made available by the school districts. It would put all the teachers on one salary scale, and also probably reduce the administration costs, because there would be one superintendent running the school district and the former section 6 school system.

As a whole, you could say construction costs would be reduced. How much money they would receive under the Impact Aid program would depend, as Mr. Kruger alluded to, on whether it becomes a "Super a" district or if it is a regular district or not. We couldn't predict that.

Mr. **Brown**. It would depend also on the amount of additional monies they receive from the State.

Mr. **Natcher**. If section 6 schools were transferred to local school districts, would they receive both category "a" and category "b" payments?

Ms. **Christensen**. Mostly "a's".

Mr. **Kruger**. Yes, though we do have a very small number of children who are called category 3(b)(1), who actually reside on Federal property, even though the parents are not employed on that property, a very small percentage of the total.

Mr. **Natcher**. For the record, if you will please insert a list of the section 6 schools, and show how much was appropriated for 1985–1986 for operating expenses and construction.

[The information follows:]

DEPARTMENT OF DEFENSE SECTION 6 AND SECTION 10 FUNDS

Project Site	ACTUAL FY 1985 Section 6	ACTUAL FY 1985 Section 10	ESTIMATE FY 1986 Section 6	ESTIMATE FY 1986 Section 10
SECTION 6 SCHOOLS				
Ft. Benning, GA	$ 8,602,000	$ 5,600,000	$ 9,970,000	$ 1,615,000
Ft. Bragg, NC	12,628,000	5,600,000	12,740,000	5,403,000
Ft. Campbell, KY	12,492,000	7,450,000	14,710,000	---
Ft. Jackson, SC	3,358,000	5,600,000	3,363,000	---
Ft. Knox, KY	12,086,000	22,661,000	13,746,000	---
Ft. McClellan, AL	1,210,000	---	1,385,000	---
Ft. Rucker, AL	3,245,000	---	3,328,000	---
Ft. Stewart, GA	4,655,000	---	5,394,000	---
West Point, NY	3,100,000	3,650,000	3,487,000	---
England AFB, LA	1,400,000	---	1,526,000	---
Maxwell AFB, AL	1,514,000	1,700,000	1,537,000	---
Robins AFB, GA	2,458,000	---	2,792,000	---
Myrtle Beach AFB, SC	1,905,000	---	2,117,000	1,336,000
MCAS Beaufort, SC	3,261,000	---	3,525,000	---
Camp Lejeune, NC	10,479,000	---	11,824,000	8,015,000
Quantico MCB, VA	5,503,000	---	5,468,000	3,339,000
Antilles, PR	14,164,000	---	17,256,000	9,306,000
Dahlgren, VA	650,000	---	735,000	---
SECTION 6 ARRANGEMENTS				
Crater Lake, OR	41,000	---	47,000	---
Governor's Island, NY	415,000	---	458,000	---
Dover AFB, DE	3,569,000	---	4,585,000	---
Hanscom AFB, MA	2,688,000	---	2,921,000	---
Ft. Leavenworth, KS	10,000	---	77,000	---
Highland Falls, NY	---	---	500,000	---
	109,433,000	52,261,000	123,491,000	29,014,000

SECTION 2 PAYMENTS

Mr. NATCHER. What is the current status of section 2 payments for 1984 and 1985?

Mr. KRUGER. As you may know, one of the peculiarities for section 2, is that we have to fund these districts on current year data, yet we do not have that fiscal data available to us until well into the next fiscal year.

We do make preliminary payments on section 2, 75 percent of prior-year payments, and then adjust that as we have satisfactory data.

We just increased the payments for 1984 to 100 percent of entitlement from approximately 70 percent, and for fiscal year 1985, we have made the preliminary payments for districts that requested them.

We have not made the additional 25 percent and will not until we have final fiscal data. One of the reasons that this is complicated is that the Congress, a couple of years ago, provided that if we make an overpayment to a section 2 district by reason of recalculation of fiscal need, which we would almost invariably do if we made an initial payment based on estimated data, and then a final payment, we have to allow 10 years for the district to repay that. The money is not available for reallocation to other districts.

Districts, of course, can expedite their payments if, as soon as their fiscal year is finished, they furnish us with final data.

Mr. NATCHER. Do you have regulations or guidelines for administering section 2 payments?

Mr. KRUGER. We do in part. The regulations in 34-CFR-222 contain sections which relate to sections 2 and 3 and 4, although 4 is not presently funded. The references to section 2 are general in nature, dealing mostly with applications.

We do not have in the regulations the procedures that we follow for calculating and making payments, and this is one of the regulatory activities we have underway at the moment.

We have a partial regulation drafted for dealing with section 2 payment procedures.

Mr. NATCHER. How do you feel generally about the basic law for section 2? Should it be revised?

Mr. KRUGER. From an operating standpoint, section 2 has a number of phrases that are ambiguous and need to be defined, one of which is the definition of substantial and continuing burden.

We are undertaking to define that by proposed regulations. If that is not adequate, then I presume some definition by legislative activity will be called for. It is an area of concern for us.

Mr. DAVENPORT. We are not proposing any legislative change in section 2 at this time.

Mr. NATCHER. If you can think of anything put something in the record for us.

[The information follows:]

CHANGES IN SECTION 2

In considering changes to Section 2, we would need to review carefully the statute, the legislative history, and the operation of this section since its enactment in 1950. We would want to look at the basic eligibility criteria—a specific quantity of real property must have been acquired by the Federal Government since 1938, and the acquisition of that property must present a continuing and substantial burden to the district—to see whether they are still appropriate. Also, we may wish to consider changes in the method of computing entitlements under this section and a minimum payment provision similar to the one we are proposing for Section 3. It is likely that we will identify additional issues during the process of producing regulations for this section that can only be addressed through legislative amendments.

Mr. NATCHER. For the record, insert a list of the school districts receiving section 2 payments for 1985. Use estimated payments, if necessary.

[The information follows:]

DISTRICTS PAID UNDER SECTION 2 FOR FISCAL YEAR 1985

ARKANSAS	Estimated Payment
White Hall SD No. 27	$ 10,523
Norfolk SD No. 61	7,386
Gosnell SD No. 6	N/A
Mountain Home SD No. 9	18,948
Dover SD No. 17	N/A
West Side SD No. 4	13,830
Mineral Springs SD No. 3	11,603
Ozark SD No. 14	2,852
Magazine SD No. 15	7,700
Pleasant View SD No. 4	3,329
Mountain Pine Pub. Schs.	11,713
Waldron SD No. 45	72,611
Hartman SD No. 50	8,951
Deer SD No. 21	N/A
Lamar Pub. Schs.	29,786
Jasper SD No. 1	3,877
Viola SD No. 15	16,324
Oakland SD No. 2	2,756
St. Paul SD No. 48	684
Witts Springs SD No. 1	6,710
Cedarville Pub. Schs.	1,436
Marion Co. RSD No. 1	5,472
22	236,491

CALIFORNIA	Estimated Payment
Fallbrook UHSD	N/A
Mariposa Co. USD	N/A
French Gulch-Whiskeytown	N/A
Shoreline USD	$152,572
Bolinas-Stinson	22,802
Los Alamitos USD	149,472
6	324,846

COLORADO	
Adams Co. SD No. 14	N/A
Air Force Academy SD	1,169,204
Baca Co. SD No. RE-6	13,464
3	1,182,668

FLORIDA	
Walton Co. Sch. Bd.	212,069
1	212,069

GEORGIA	Estimated Payment
Liberty Co. Bd. of Ed.	$196,078
Long Co. Bd. of Ed.	31,172
Clay Co. Bd. of Ed.	53,213
Bryan Co. Bd. of Ed.	131,047
Lincoln Co. Bd. of Ed.	86,021
5	497,530

ILLINOIS	
Wilmington CUSD No. 209-U	372,438
Elwood CCSD No. 203	116,511
Giant City CCSD No. 130	20,297
Palisades CCSD No. 180	207,660
Cass SD No. 63	N/A
Pope Co. Comm. USD	N/A
Murphysboro CUSD No. 186	2,419
Ewing-Northern CCSD No. 115	28,323
Ina CCSD No. 8	3,146
9	750,794

INDIANA	
Madison CSD	N/A
North Vermillion CSC	21,572

N/A is noted where data are not available to compute a reliable payment estimate.

INDIANA (cont.)	Estimated Payment
Maconaquah School Corp.	$13,100
Ninevah-Hensley-Jackson USC	32,893
Loogootee Comm. SC	63,510
Perry Central CSC	29,453
Greater Clark CS	N/A
7	160,528

IOWA	
Johnston Community SD	16,016
Pleasantville CS	39,801
Solon Community SD	44,989
Clear Creek CSD	62,182
Moravia Community Schools	39,549
North Polk CSD	31,041
Woodward-Granger CSD	11,481
Ankeny Community SD	21,165
Madrid Community SD	2,804
Russell Community SD	16,117
10	285,146

KANSAS	Estimated Payment
Independence USD No. 446	30,951
Riley USD No. 378	13,972
West Franklin USD	10,420
Eastern Heights USD No. 324	N/A
Waconda USD No. 272	49,020
De Soto USD No. 232	46,180
Chapman USD No. 473	$ 37,759
Perry USD No. 343	26,313
Meriden USD No. 340	16,026
Oskaloosa USD No. 341	17,622
Paola USD No. 368	4,873
Blue Valley USD No. 384	99,047
Lawrence USD No. 497	31,738
Burr Oak USD No. 277	10,978
Clay Center USD No. 379	45,933
Labette Co. USD No. 506	N/A
Ell-Saline USD NO. 307	37,579
Marais-Des Cygnes Valley	10,899
Eureka USD No. 389	30,514
Burlington USD No. 244	3,540
Norton USD No. 211	5,185
Mankato USD No. 278	16,560
22	542,108

KENTUCKY	
Trigg Co. SD	37,006
Wayne Co. SD	N/A
Russell Co. Bd. of Ed.	18,360
Lyon Co. Bd. of Ed.	143,289
Edmonson Co. Bd. of Ed.	9,689
Taylor Co. SD	14,320
Wolfe Co. Bd. of Ed.	N/A
Adair Co. Bd. of Ed.	N/A
8	222,662

LOUISIANA	Estimated Payment
Grant Parish Sch. Bd.	$ 55,612
1	55,612

MICHIGAN	
Alcona Community Schools	47,208
Watersmeet Township SD	N/A
Marenisco SD	N/A
Baldwin Community Schools	N/A
Ewen-Trout Creek CSD	90,643
Bergland Community SD	N/A
Big Bay De Noc SD	N/A
7	137,851

MISSISSIPPI	
Hancock County SD	14,634
1	14,634

MISSOURI	
Smithville SD R-2	52,582
Hollister SD R-5	20,728
Reeds Spring SD R-4	47,510
Calhoun SD R-8	8,350
Success SD R 6	N/A
Center SD No. 58	N/A
Hermitage HSD R-4	N/A

MISSOURI (cont.)	Estimated Payment
Bunker SD R-3	$ 14,595
Newburg SD R-2	8,149
Osceola SD	9,990
Clinton Public Schools	9,297
Phelps County SD R-3	N/A
Stockton SD R 1	21,957
Van Buren R-1 SD	100,582
Puxico SD R 8	23,616
Winona SD R-3	13,714
Warsaw SD R-9	39,067
Eminence SD R 1	5,787
Fredericktown SD R-1	2,930
East Carter County SD R-2	N/A
Richards SD No. R-5	6,186
Dora SD R-3	2,006
Greenville SD R-2	48,203
Bradleyville SD R-1	16,553
Willow Springs HSD R-4	N/A
South Iron SD R-1	4,841
Southwest Barry Co. R-5	2,706
Plattsburg R-3 SD	10,970
Sullivan CSD No. 2	N/A
Crawford Co. SD R-1	6,890
Lakeland SD No. R-3	17,114
Lesterville HSD R-4	5,998
Fair Play SD R-2	5,553
Shell Knob Elem. School	9,354
Southern Reynolds Co. SD	34,499
Gainesville SD R-5	608
Forsyth SD R-3	14,764
Lutie SD R-VI	N/A
Valley SD R-6	$ 1,902
Pike County SD R-III	8,614
40	575,616

MONTANA	Estimated Payment
Yaak ESD No. 24	3,396
Sylvanite SD No. 23	3,200
Koocanusa SD No. 2	8,034
3	14,630

NEBRASKA	Estimated Payment
Orleans SD R-3	48,593
Republican City SD No. 1	68,335
Alma SD No. 2	71,157
Loup City SD No. 1-R	23,792
Niobrara SD No. 1-R	N/A
Northwest HSD	15,408
Engleman ESD No. 30	14,231
Shoemaker SD No. 38	11,270
Sandy Creek Public Schools	N/A
Central Public Schools	22,065
Malcom SD No. 148	36,897
11	311,750

NEW JERSEY	Estimated Payment
Lakehurst Boro Bd./Ed.	N/A
Rockaway Twp. Bd./Ed.	$304,691
Bayonne Bd. of Ed.	N/A
New Hanover Twp. Bd./Ed.	245,982
Sandyston-Walpack CSD	N/A
Kittatinny Reg. HSD	176,577
6	727,251

NEW YORK	Estimated Payment
Romulus CSD	69,051
Indian River CSD	N/A
Highland Falls-Ft.Montgomery	N/A
South Haven UFSD	3,595
Hyde Park CSD	510,927
5	583,573

NORTH CAROLINA	Estimated Payment
Graham Co. Schools	N/A
1	N/A

NORTH DAKOTA	Estimated Payment
New Town SD No. 1	58,931
Solen SD No. 3	3,753
2	62,684

OHIO	Estimated Payment
Mad River Twp. SD	$2,485,627
Windham Exptd. SD	98,252
Southeast Local SD	480,756
Maplewood Local SD	89,938
4	3,154,573

OKLAHOMA	Estimated Payment
Haywood DSD No. 88	4,956
Canadian ISD No. 2	10,624
Crowder ISD No. 28	5,992
Fanshawe DSD No. 39	9,639
Leflore ISD No. 16	5,680
Savanna ISD No. 30	N/A
Eufaula ISD No. 1	41,296
Hodgen DSD No. 14	4,334
Sand Springs ISD No. 2	1,863
Locust Grove ISD No. 17	19,870
Foyil ISD No. 7	4,330
Longdale DSD No. 70	7,848
Braggs ISD No. 46	21,728
Cleveland ISD No. 6	2,851
Little Axe DSD No. 70	4,691
Vian ISD No. 2	7,245
Madill ISD No. 2	7,443
Gore ISD No. 6	5,882
Kingston ISD No. 3	12,049
Reydon ISD No. 6	N/A
Snyder-Mountain Park SD	10,203
Chelsea ISE No. 3	$ 9,121
Crawford DSD No. 11	2,447
Colbert ISD No. 4	9,094
Tishomingo ISD No. 20	11,926
Wister ISD No. 49	20,728
Alluwe ISD No. 50	20,928
Granite ISD No. 3	6,986
Prue ISD No. 50	6,860
Keystone DSP No. 15	12,092
Falls DSD No. 31	13,020
Dewar ISD No. 8	5,662
Ravia DSD No. 10	2,132
Stringtown ISD No. 7	4,641
Eagletown ISD No. 13	8,185
Marietta ISD No. 16	3,474
Bowring DSD No. 7	18,151
Heavener ISD No. 3	N/A
Keys DSD No. 6	4,786
Gum Springs DSD No. 69	N/A
Keota ISD No. 43	N/A
Tuskahoma DSD No. 4	4,789
Midway Public Schools	N/A
Silo ISD No. 1	10,370
Kaw City DSD No. 84	11,127
Haworth ISD No. 6	8,097
Burbank DSD No. 20	5,281
Felt ISD No. 10	7,317
Kildare DSD No. 50	6,572
Farris DSD	3,711
50	404,161

PENNSYLVANIA	Estimated Payment
Hatboro Horsham SD	$ 825,191
Centennial SD	N/A
Chambersburg Area SD	72,427
Warren Co. SD	81,519
East Stroudsburg Area SD	N/A
Delaware Valley SD	200,956
6	1,180,093

SOUTH CAROLINA	
McCormick SD No. 4	16,934
Anderson Co. SD No. 4	37,045
2	53,980

SOUTH DAKOTA	
Douglas SD No. 3	362,840
1	362,840

TENNESSEE	
Stewart Co. Bd. of Ed.	N/A
Clay Co. Bd. of Ed.	202,679
Unicoi Co. Bd. of Ed.	N/A
3	202,679

TEXAS	Estimated Payment
New Boston ISD	$ 7,315
Maud ISD	N/A
Leary ISD	2,161
Hooks ISD	N/A
Redwater ISD	21,586
Karnack ISD	10,517
Gatesville ISD	33,671
Princeton ISD	38,277
Pottsboro ISD	58,432
Lewisville ISD	418,180
Brookeland ISD	29,278
Comstock ISD	20,898
Broaddus ISD	N/A
Etoile ISD	14,931
Bosqueville ISD	2,932
Lake Dallas ISD	36,647
San Perlita ISD	3[illegible]41
Sam Rayburn ISD	17,978
Texline ISD	24,579
Little Elm ISD	73,978
Granger ISD	18,904
Wylie ISD	26,256
Farmersville ISD	20,490
Kopperl ISD	16,360
Pilot Point ISD	N/A
25	896,413

VERMONT	Estimated Payment
Woodford Town SD	$ 2,650
Sunderland Town SD	137,900
2	140,550
VIRGINIA	
York Co. Sch. Bd.	N/A
Craig Co. Sch. Bd.	N/A
Bath Co. Sch. Sys.	45,073
3	45,073
WISCONSIN	
Crandon Jt. SD No. 1	48,050
Laona Jt. SD No. 1	N/A
Sauk-Prairie	N/A
Florence Co. Jt. SD No. 1	48,508
LaFarge Jt. SD No. 15	45,187
5	141,745

NATIONAL TOTALS

States	LEAs	
30	271	13,480,550

DISASTER ASSISTANCE

Mr. NATCHER. An amount of $9,570,000 is available for 1986 for disaster assistance, under section 7 of the basic law. How much is currently estimated to be required for 1986?

Mr. KRUGER. We have up to this point obligations for about $18 million in terms of applications submitted to us. It is always difficult to anticipate what is going to happen in the future in terms of disasters, but if we average the 1985 experience, which was a low year, we used $7.7 million of the $10 million available to us—and the previous year—which was a high year, calling for about $27 million—we would expect that $30 million would be required for fiscal year 1986.

Mr. NATCHER. We have $20 million in the supplemental. Is this sufficient? Would you have to send up a request for additional money?

Mr. KRUGER. We think not.

Mr. DAVENPORT. We don't believe that there is a need for a supplemental request with the money that has been transferred from a College Housing Loans account. We have more than a sufficient amount of money than our past record would tell us would be available or necessary at this time.

Mr. NATCHER. How much would the transfer amount to?

Mr. DAVENPORT. $20 million.

Mr. NATCHER. $20 million?

Mr. DAVENPORT. There is total of $31.9 million available.

Mr. NATCHER. Do you have an estimate of disaster assistance to be used for section 16 construction?

Mr. KRUGER. Section 16 is used when a major structure is virtually demolished, more than 30 percent damaged, and needs to be replaced or to undergo substantial major repairs.

At the moment, we have only one application—a tentative application—pending from West Virginia for an estimated $3.5 million.

We have authority to use money for section 16 purposes——

Mr. NATCHER. For the record, if you will summarize the requirements for disaster assistance during 1986, up to the present time. As a minimum, we would like to know the States and school districts involved, along with the estimated amount of assistance.

[The information follows:]

1986 DISASTER ASSISTANCE AWARDS

State and LEA	Estimated Award
CALIFORNIA	
Mariposa County	$ 30,500
Saddleback Valley	61,500
	92,000
CONNECTICUT	
Winchester	37,400
Hartford	28,400
East Hartford	15,000
New Britain	10,500
Meriden	18,900
Milford	22,700
Hamden	16,500
Wallingford	22,000
	171,400
FLORIDA	
Leon County	21,200
Pinellas County	65,000
	86,200
LOUISIANA	
La Fourche Parish	503,600
Terrebonne Parish	368,500
Jefferson Parish	317,000
St. Bernard Parish	22,000
	1,211,100
MASSACHUSETTS	
Boston	60,100
Norwood	11,400
Fall River	37,700
New Bedford	49,100
Watertown	19,800
Quincy	45,200
	223,300
MICHIGAN	
Davison	83,400
Bryden	25,400
Flint	216,200
Beecher	$ 55,600
	380,600
MISSISSIPPI	
Long Beach	122,400
Harrison County	123,700
Gulfport	46,500
Pascagoula	186,900
Jackson County	35,500
Hancock County	88,900
Pearl River County	66,900
Poplarville	87,600
Picayune	10,100
Biloxi	928,000
Ocean Springs	785,100
Moss Point	1,769,000
Pass Christian	19,900
	4,270,600
NEW YORK	
Middle Country Cent.	123,600
Central Islip	25,300
Longwood Central	72,400
Westhampton Beach	11,000
William Floyd	45,600
Lindenhurst	29,800
Shoreham-Wading River	10,400
Port Jefferson	31,800
Patchogue-Medford	33,900
Smithtown Central	62,300
Islip	16,900
Glen Cove City	62,200
Long Beach City	12,400
Levittown	50,000
Jericho	26,300
South Huntington	10,600
North Babylon	50,000
East Islip	18,000
Amagansett	10,900
West Islip	42,200
Brentwood	40,600
Commack	26,200
West Babylon	33,600
North Shore	10,700
North-East Northport	16,000
Three Village	13,200
BOCES III	17,100
Copiague	28,000
Bayport-Blue Point	47,200

State and LEA	Estimated Award
NEW YORK (cont.)	
Plainview-Old Bethpage	$ 12,200
	990,600
NORTH CAROLINA	
Bertie County	21,800
OHIO	
Newton Falls	209,300
PENNSYLVANIA	
Forest Area	18,600
Bedford Area	29,800
Scranton	103,500
	151,800
PUERTO RICO	731,600
RHODE ISLAND	
Providence	36,900
Westerly	15,700
Chariho	25,000
Warwick	19,800
North Providence	11,900
Barrington	10,500
Cranston	10,200
	129,900
VERMONT	
Stowe	10,300
VIRGINIA	
Roanoke County	1,715,700
Alleghany Highlands	2,107,200
Covington	29,200
Franklin County	21,200
Nelson County	25,000
Roanoke City	20,800
	3,919,200
WEST VIRGINIA	
Barbour County	48,200
Grant County	137,700
Hardy County	1,637,400
Mineral County	94,200
Pendleton County	$ 154,600
Preston County	529,800
Tucker County	195,600
Pocahontas County	1,073,000
Lewis County	337,900
Gilmer County	117,800
Randolph County	42,200
Greenbrier County	39,900
Calhoun County	85,300
Harrison County	535,500
	5,029,100
WYOMING	
Laramie County	42,500

TOTALS

States	LEAs	
17	104	17,671,300

CONSTRUCTION PROJECTS

Mr. HATCHER. How many construction projects were funded in 1985? Give us some idea as to the number?

Mr. KRUGER. In the construction area, we are talking about something almost like full-time equivalents because we funded some projects. We averaged around 10 projects of various sizes in 1985; and again, somewhat fewer than that in 1986.

Mr. NATCHER. How many would you expect to fund in 1986?

Mr. KRUGER. Given the condition I have indicated, eight or nine projects.

Mr. NATCHER. For the record, if you will, submit a list of the projects funded in 1985 and 1986, if available.

[The information follows:]

1985 AND 1986 CONSTRUCTION PROJECTS

1985

Sections 5 & 14(c):

Grand Canyon Unified School District Grand Canyon, Arizona	$ 1,300,000
Macy Public School District Macy, Nebraska	1,700,000
	3,000,000

Sections 14(a) and (b):

Chinle School District Chinle, Arizona	7,284,490
Eight Mile School District Trenton, North Dakota	374,050
Keller School District Keller, Washington	868,460
	8,527,000

Section 10:

Coast Guard Support Center Kodiak, Alaska	1,106,000
Adak Naval Station Adak, Alaska	665,731
Eileson Air Force Base Alaska	441,824
Fort Wainwright Alaska	1,151,000
Fort Greeley Alaska	407,372
Elmendorf Air Force Base Alaska	272,300
Williams Air Force Base Arizona	2,449,000
Edwards Air Force Base California	1,048,520
Yosemite National Park California	8,500
Mare Island Naval Station California	927,467

Sierra Ordnance Depot California		$ 10,000
Whiteman Air Force Base Missouri		5,000
Fort Dix New Jersey		381,598
White Sands Missile Base New Mexico		386,268
Plattsburgh Air Force Base New York		220,000
		9,480,580
	1985 Total	21,007,580
1986 (to date)		
Sections 5 & 14(c):		
Lapwai School District Lapwai Idaho		1,044,388
		1,044,388
Section 10:		
Elmendorf Air Force Base Alaska		725,000
Eileson Air Force Base Alaska		115,000
Williams Air Force Base Arizona		222,000
Mare Island Naval Station California		1,091,000
Fort Dix New Jersey		277,902
McGuire Air Force Base New Jersey		345,000
Mather Air Force Base California		194,000
Randolph Air Force Base Texas		110,000
		3,079,902
	1986 Total	4,124,290

Mr. **Natcher**. Let me go back just for a moment about the matter I raised concerning Hawaii, I understand from a statement we have on file that the estimated payment for fiscal year 1987 section 3 payments of $20.97 million for Hawaii represents an increase of approximately 231 percent over the fiscal year 1985, section 3 payments of $9,083,162.

"This increase would appear to be due primarily to the removal of the 110 percent limitation on the total section 3 payment to Hawaii in fiscal year 1987."

If the facts in that statement are correct, wouldn't it just about double the payment?

Mr. **Davenport**. Let us provide that for the record. I am just not familiar with that statement.

Mr. **Natcher**. All right, you do that now and put it in the record.,

[The information follows:]

Payment for Hawaii for 1985 and 1987

For fiscal year 1985, the State of Hawaii has been paid $9.1 million. When final 1985 payments are made, Hawaii will receive an additional amount. For 1987, the first year in which the limitation on increases in payments for Hawaii does not apply, we estimate Hawaii will receive approximately $19.4 million, approximately double its 1985 payment.

Mr. **Natcher**. Dr. Davenport, we want to thank you and your associates for appearing before our committee at this time in behalf of your budget request for the fiscal year 1987.

Mr. **Davenport**. Mr. Chairman, it is a pleasure to appear before you again this year.

[The following questions were submitted to be answered for the record:]

CONSTRUCTION APPLICATIONS

Mr. Early: What is the total amount of the grant applications backlog for construction funds?

Dr. Davenport: There are currently on file applications for school construction projects that are estimated by the applicant school districts to require $288 million.

Mr. Early: How many applications have been submitted for funding?

Dr. Davenport: There are applications pending for 207 school construction projects.

Mr. Early: Given the enormous size of the ever-increasing backlog of applications, why are you proposing a reduction of $11.7 million for Construction grants?

Dr. Davenport: The amount of the 1987 request for construction funds is reduced from the 1986 funding level because of the need to reduce and control the Federal deficit. The Department of Education is requesting funds for the portion of the program where we feel the need is greatest. Some construction projects can be funded by DoD. Other projects will have to be postponed or financed with non-Federal funds.

Mr. Early: Is the DoD only authorized to make Section 10 construction awards, or could they make other construction awards as well?

Dr. Davenport: The Department of Defense only has authority to fund Section 10 projects, which provide school facilities for children residing on Federal property.

Mr. Early: Provide for the record a table displaying the amount and number of construction awards made by DoD for FY 1981 through the most current award cycle.

Dr. Davenport: We understand that DoD did not begin to use its Section 10 authority until FY 1985. In that year, funds were obligated for seven Section 10 projects costing a total of $52,261,000. To date, funds have been obligated in FY 1986 for six projects costing a total of $29,014,000. For FY 1987, nine projects are planned costing $17,380,000.

DISASTER ASSISTANCE

Mr. Early: Why does the Administration want to repeal the "pinpoint disaster assistance" provisions of the Disaster Assistance program?

Dr. Davenport: Some years ago the Congress decided not to fund these provisions and indicated that repairing damage caused by natural disasters that affect a small area (sometimes a single building) should be a State and local responsibility. The Federal Government would continue to provide assistance when the damage is widespread and is declared by the President to be a major disaster area.

Mr. Early: I realize no funds have ever been appropriated for this purpose, but why not keep the door open to future possibilities?

Dr. Davenport: We feel that it would be better to repeal these provisions because we do not anticipate that funds will be provided for this purpose. The existence of these provisions in law encourages school districts and others to believe that funds will be made available.

MINIMUM PAYMENT PROVISION FOR SECTION 3

Mr. Early: The FY 1987 request includes a proposal to restore the $5,000 minimum payment provision (which was in effect for FYs 1982-84) yet you state in the justification that this is an issue which needs additional study. Why are you proposing to reinstate this provision in FY 1987?

Dr. Davenport: Allowing Section 3 payments of less than $5,000 provides assistance to districts that have very few federally connected children and are not burdened by Federal activities. Frequently, the costs of processing applications for such districts exceed the amounts of their payments. Further, these payments reduce payments to other districts and divert funds from districts that have large numbers of federally connected children.

Mr. Early: How many school districts do you estimate will receive payments of less than $5,000 in FY 1986?

Dr. Davenport: We estimate that up to 1,000 districts could receive payments of less than $5,000 for FY 1986.

Mr. Early: How many did in FY 1985?

Dr. Davenport: All FY 1985 payments are not yet final, but there are currently over 850 districts whose payments are less than $5,000.

Mr. Early: From the information I have, it appears as though a significant number of the Massachusetts school districts would be hurt by this proposal. For the record, provide an estimate of the number of districts in Massachusetts that would lose funds under this provision.

Dr. Davenport: Of the 107 FY 1985 Section 3 applicants from Massachusetts, 45 have payments of less than $5,000 at this time. These payments range from $434 to $4,963.

TRANSFER OF SECTION 6 CHILDREN

Mr. Early: Would you bring us up to date on your plans for the transfer of Section 6 children from DoD's responsibility to the Department of Education?

Dr. Davenport: Because Section 6 projects are currently funded by the Department of Defense, that agency was asked to submit a plan to the Congress for the transfer of the financial responsibility for the education of Section 6 children to local educational agencies. The plan was submitted to the Congress March 4, 1986.

At the time the plan was requested, the Congress indicated that it was to be implemented by 1990. Information that will help identify issues that must be addressed in order to implement a transfer plan is currently being collected by DoD. Although we have offered our assistance, the Department of Education has not been involved in either of these activities.

Mr. Early: Would you briefly explain what the history behind the Section 6 children is, in terms of where the responsibility for these payments lies?

Dr. Davenport: Section 6 projects are established when no State or local tax revenues may be expended for the education of children residing on Federal property or when no local educational agency is able to provide suitable free public education for such children.

Section 6 projects can be divided into two categories--schools and arrangements. Section 6 schools are fully funded and operated by the Federal Government; no local or State funds are provided. Section 6 arrangements cover a portion of the educational costs for the children involved, frequently transportation from the military base to the local public schools.

Since 1982, DoD has funded Section 6. Prior to 1982, ED had the funding authority for these projects.

Most of the current Section 6 projects no longer meet the conditions in the statute that require their establishment. One exception is the Section 6 schools in Puerto Rico where the education available in the local schools is not suitable because the language of instruction is not English. Many Section 6 schools were established in the South in the early 1960's because the local schools were segregated while the armed services were integrated. A number were established earlier when military installations were placed in isolated areas where no nearby school facilities existed.

The Department of Education believes the education of these children is a joint local, State, and Federal responsibility.

Mr. Early: What would the addition of 35,000 additional students to Section 3 mean, in terms of future budget requests?

Dr. Davenport: Presumably, an increase of this size in the number of eligible children would require additional funds for Section 3.

Mr. Early: What are your plans for accommodating these additional students?

Dr. Davenport: The actual effects on the funding and operation of Section 3 are difficult to predict because we do not know yet when these children would be transferred to local schools, what proportion they would make up of the total enrollments of the local schools, or what the payment formula will be at the time they are transferred.

PAYMENTS FOR CHILDREN RESIDING IN LOW-RENT HOUSING

Mr. Early: According to the justification, payments on behalf of children residing in low-rent federally subsidized housing will be reduced to no more than 15% of entitlement. What percentage of the entitlement will be paid out in FY 1986?

Dr. Davenport: Payments for "a" children residing in certain federally subsidized, low-rent housing will range from approximately 8 percent to approximately 14 percent of entitlement for FY 1986.

Mr. Early: What has it been in prior years?

Dr. Davenport: For fiscal years 1981 through 1985, payments for low-rent housing "a" children were as follows:

Fiscal Year	Approximate Percentage of Entitlement Paid
1981	14.5%
1982	11.4%
1983	10-11%
1984	6-15%
1985	5-15%

PROPOSED CHANGE IN PAYMENT FORMULA

Mr. Early: Is the rationale behind the allocation formula change being proposed for "a" students to prevent a drastic decrease in payments when a school district just falls short of being a "Super a"?

Dr. Davenport: This is one of the reasons we are proposing the formula change. We are very concerned about the inequitable results of the payment formulas that have been enacted since 1984.

EFFECTS OF BUDGET PROPOSAL ON "b" PAYMENTS

Mr. Early: Should Congress support the "b" students in FY 1987, would this formula change also apply to them?

Dr. Davenport: We did not study the effects of such a formula for "b" payments and do not know if it would be appropriate to apply it or a similar formula to them if they are continued.

Mr. Early: Should the "b" students be supported in FY 1987, how would the proposed changes in the rate of preliminary payments impact the Section 3(b) payments?

Dr. Davenport: Preliminary payments, which are made prior to the submission of applications for the current year, are percentages of payments for the previous year. The proposed change in the levels of preliminary payments would eliminate "b" payments for the previous year from the base used to compute the amounts of preliminary payments. This proposal would greatly reduce the number of overpayments that occur each year when preliminary payments exceed the total payments districts should receive for the current year. These overpayments result when funding levels or payment formulas change significantly from year to year or when the numbers or types of federally connected children a district enrolls change from the previous year.

Mr. Early: How many school districts will lose funding in FY 1987 should the "b" students lose funding?

Dr. Davenport: Of the approximately 2,800 current Section 3 districts, 1,300 receive payments for only "b" children. These districts would receive no Section 3 funds if the payments for "b" children are eliminated.

Mr. Early: If the category "b" children are supported in FY 1987 at the FY 1986 enacted level of $130 million, what percentage of entitlements would be paid out?

Dr. Davenport: That would depend on the formula enacted in the appropriation law for 1987.

AVERAGE PAYMENTS FOR "b" CHILDREN

Mr. Early: What will the average per pupil payment for "b" students be under the FY 1986 post sequestration level?

Dr. Davenport: With $124,410,000 available for 1986 payments on behalf of approximately 1.7 million "b" children, we estimate the average "b" payment per "b" child would be approximately $73. However, since these funds are spent on all children enrolled in a district's schools, the average 1986 payment per child in a "b" district is estimated to be approximately $7.

Mr. Early: Insert a table in the record displaying the average per pupil payments for "b" students, the total number of "b" students supported, and the total amount of "b" payments made in FY 1981 through FY 1986.

Dr. Davenport: For fiscal years 1981 through 1986, the total number of "b" students on behalf of whom payments were made, the total amount of "b" payments made, the average "b" payment per "b" child, and the average "b"·payment per child in "b" districts are as follows:

FY	Total "b" Payments	Total No. of "b" Children	Total No. of Children in Districts	Average "b" Payment per "b" Child	Average "b" Payment per Child
1981	$223,998,900	1,874,400	21,169,300	$120	$11
1982	81,447,100	1,713,100	19,993,800	48	4
1983	57,531,100	1,631,600	19,018,600	35	3
1984	77,060,000	1,588,660	17,110,200	49	4.50
1985*	130,000,000	1,707,490	17,675,300	76**	7**
1986*	124,410,000	1,707,500**	16,675,000**	73**	7**

*Payments are not yet final for these years.
**Estimate.

PROPOSED CHANGE IN PAYMENT FORMULA

Mr. Hoyer: Dr. Davenport, last year in a question for the record I asked whether the gap between payments to "Super a's" and the "regular a's" had begun to widen. As you recall, you said that it had. Specifically, what numbers do you have at your disposal which support your position?

Dr. Davenport: In 1981, "a" payments to "Super a" districts were generally at 95 percent of entitlement while most "a" payments to regular "a" districts ranged from 83 to 86 percent of entitlement. For 1986, most "a" payments to "Super a" districts will be at 95.7 percent of entitlement while "a" payments to regular "a" districts will be at approximately 40 percent of entitlement.

Mr. Hoyer: Is this part of the reason for proposing a sliding scale for "a" payments?

Dr. Davenport: Yes, we are very concerned about the sharp distinction between payments for districts with 20 percent or more "a" children and those with less than 20 percent "a" children.

Mr. Hoyer: How will this proposal affect Maryland and Prince George's County?

Dr. Davenport: Because the 1987 request for "a" payments is more than the 1986 funds available after sequester and we also propose returning to a minimum payment provision, the payment formula will not have a significant effect on payments to Maryland districts, including Prince George's County.

Mr. Hoyer: Will this proposal meet its objective if the $5,000 minimum payment is not restored?

Dr. Davenport: If the minimum payment provision is not restored, many more districts will be in the group of districts with less than 10 percent "a" children. Since the funds available for payments to this group of districts are limited, the more districts there are in the group the lower the payments will be to these districts.

LOCAL CONTRIBUTION RATE REGULATIONS

Mr. Hoyer: What is the status of the regulations which you were in the process of publishing last year on the local contribution rates?

Dr. Davenport: The final version of these regulations was published August 16, 1985.

Mr. Hoyer: What has been the effect of the changes made to the local contribution rates last year and the year before?

Dr. Davenport: The changes in the local contribution rate policy contained in the new regulations have resulted in more equitable rates for similar districts.

IMPACT AID STUDIES

Mr. Hoyer: Last year, Doctor, your office expected to spend $125,000 on three studies of this program. Are these studies completed?

Dr. Davenport: One study and parts of another have been completed.

Mr. Hoyer: If so, what have you discovered as a result of these studies?

Dr. Davenport: The study that has been completed reviewed the costs of processing applications for nine districts of different types and sizes. The conclusions of that study are that the processing costs vary widely but generally average well over $1,000. These findings support our proposal to restore a minimum payment provision.

Another part of this study examined the effects of the previous minimum payment provision, which was contained in the appropriations acts for fiscal years 1982-84. The small, nonrepresentative sample of nine districts studied received payments in 1981 but did not in 1982, 1983, or 1984. The 1981 payments for these districts amounted to less than one percent of their total expenditures for that year. Each of these districts considered their payments additional discretionary funds, with no strings attached.

The study that has been partially completed is looking at the financial circumstances of a number of individual districts. The report on one of these districts has been completed and the rest are in the final stages. The reports of two more districts should be completed in May and the others will follow shortly.

The completed report indicates that a number of factors contribute to the financial problems these districts may be confronting. The district studied in the first report reduced its property taxes when Impact Aid payments increased steadily in the 1970's. Impact Aid payments were used in place of local revenues instead of to supplement local revenues. However, when Impact Aid payments declined in the 1980's, the property taxes were not increased comparably. Also, maintenance of the district's buildings was neglected for a number of years and repairs that might have been avoided through routine maintenance are now necessary.

PAYMENTS TO PRINCE GEORGE'S COUNTY

Mr. Hoyer: Dr. Davenport, last year this time you notified my office that Prince George's County would receive $1,053,807.19 in Impact Aid (Section 3) funds. Can you tell me how much it will receive for the upcoming school year?

Dr. Davenport: For fiscal year 1985 (school year 1984-85), Prince George's County has received $1,345,632. This will be increased somewhat when final payments for 1985 are computed. For fiscal year 1986 (school year 1985-86), we are estimating the payment for Prince George's County will be approximately $1.8 million.

Mr. Hoyer: Also, please tell me what portion of the funds are for "a" and "b" children?

Dr. Davenport: The 1985 payment to date consists of $1,131,954 for "a" children and $213,679 for "b" children. The 1986 payment estimate is based on $1.5 million for "a" children and $300,000 for "b" children.

PAYMENTS FOR "b" CHILDREN

Mr. Hoyer: Doctor, if this Congress decides to continue "b" payments in FY 1987, what is your estimate of what the "b" per pupil payments will be in 1987?

Dr. Davenport: This would depend on the amount appropriated and the formula for these payments.

Mr. Hoyer: What percent is that of the entitlement?

Dr. Davenport: This cannot be estimated without an appropriation amount and a payment formula.

Mr. Hoyer: What will be the payment for "b" children in 1986?

Dr. Davenport: With $124,410,000 available for 1986 payments on behalf of approximately 1.7 million "b" children, we estimate the average "b" payment per "b" child would be approximately $73. However, since these funds are spent on all children enrolled in a district's schools, the average 1986 payment per child in a "b" district is estimated to be approximately $7.

MAINTENANCE OF EFFORT

Mr. Hoyer: Last year, Doctor, you stated in answer to my question that $670 million would be needed in FY 1986 to provide payments in 1986 comparable to those in 1985 for "a" and "b" children. We didn't quite make that amount last year. If you use the $665 million figure without considering your legislative proposals, how much is needed in FY 1987 to maintain the same level of payments?

Dr. Davenport: The $665 million figure you refer to is the pre-sequester appropriation for 1986 for Sections 2 and 3. The post-sequester amount for those sections is $636.4 million. Because inflation is low and revisions to the local contribution rate policy are reducing these rates for some districts, we estimate that it would cost approximately $640 million in 1987 to provide the same levels of payment as in 1986.

SLIDING PAYMENT SCALE

Mr. Conte: I am pleased to see that after two years or more of asking you folks about the wisdom of some kind of sliding scale for this program, you've come up here proposing one. Have you had any comments on this proposal from either the Impact Aid Association or some of the school districts out there, and do they like it?

Dr. Davenport: We have not had comments specifically on our 1987 payment formula proposal from either the Impact Aid Association or individual districts. However, the Association supported such a formula for 1986 payments and we believe they will for 1987 also.

Mr. Conte: You aren't proposing any payments for category "b" kids, but if we decide to keep those funds in the bill, would the sliding scale make sense for these payments as well?

Dr. Davenport: We did not study the effects of such a formula for "b" payments and do not know if it would be appropriate to apply it or a similar formula to them if they are continued.

Mr. Conte: Should it look the same as the one you've proposed for the category "a" payments?

Dr. Davenport: Without studying this issue, we cannot say how a comparable formula for "b" payments should look.

EFFECTS OF GRAMM-RUDMAN-HOLLINGS ON 1986 PAYMENTS

Mr. Conte: How are you implementing the Gramm-Rudman-Hollings cuts in FY 1986? Is each grant being reduced 4.3 percent, or do you reduce the total pot of funds and then make payments?

Dr. Davenport: Under Section 3, with two exceptions, all payments will be reduced by 4.3 percent. For Section 2 and disaster assistance, the amount of money available has been reduced but the amounts of individual grants will not be affected because we anticipate that there will still be sufficient money to fund fully all awards. The amount of money available for construction grants has been reduced and the number of awards may have to be reduced but the individual grants will not be reduced.

Mr. Conte: Will any school districts be eliminated from the program because of these cuts?

Dr. Davenport: A few districts may not be able to receive grants for construction projects this year because of the reductions.

BOURNE, MASSACHUSETTS, SCHOOL DISTRICT

Mr. Conte: In the past several years, I've been keeping you all interested in the situation at the Bourne, Massachusetts, school district, down on Cape Cod. Your budget documents say that you're conducting a study of the fiscal problems at Bourne. When can we expect to see that report? (You'll make sure to send me a copy, won't you?)

Dr. Davenport: A draft report of the study of this district has recently been submitted to the Department. We expect a final report to be completed in June, and we will, of course, make sure you receive a copy.

DISASTER ASSISTANCE

Mr. Conte: As you know, we recently marked up a supplemental bill that includes an increase for the Disaster Assistance program of $20 million. How much have you actually expended in disaster payments in FY 1986, including transfers from other programs?

Dr. Davenport: Through March 1986, we obligated $17.7 million for 104 disaster assistance projects in 17 States.

Mr. Conte: What programs have you taken money from to satisfy disaster claims, and how much have you taken from each?

Dr. Davenport: We have transferred $20 million from the College Housing Loans account to cover the costs of disaster claims exceeding the appropriated and carryover funds available for disaster assistance.

Mr. Conte: If we end up getting you the $20 million, will that completely take care of the need in Disaster Assistance?

Dr. Davenport: We believe the $20 million we have transferred from the College Housing Loans program will be sufficient to cover disaster claims through the remainder of the fiscal year. No supplemental is required to replace these funds since adequate funds remain in the College Housing Loans account to meet all 1986 expenses for that program.

OVERPAYMENTS FOR 1978

Mr. Conte: You know, I added language to the supplemental bill concerning your collection of overpayments dating back to 1978. Why did the Department suddenly enforce these repayments after they had been sitting there for about six or seven years?

Dr. Davenport: Although all districts with overpayments are routinely notified that they owe the Department money, the Department began a concerted effort to recover all outstanding overpayments following the passage of the Debt Collection Act of 1982.

Mr. Conte: At the time we were marking up, the Department gave me some figures on which schools would be affected. Is that list still current, and will the language in the bill and report get the job done?

Dr. Davenport: The data have not changed significantly since they were provided to you. The language you have proposed will prevent the Department from collecting from school districts outstanding overpayments of less than $5,000 for fiscal year 1978 for the Impact Aid program. It will not affect any overpayments for these districts for other years. It also will not affect the many districts that have repaid their overpayments for 1978 and other years or districts that have overpayments of more than $5,000 for 1978.

MINIMUM PAYMENT PROVISION

Mr. Conte: Like last year, you are requesting that the $5,000 minimum payment provision be reinstated. Do you know how many schools have reentered the program since the Committee dropped that requirement?

Dr. Davenport: Approximately 990 more districts have received payments for 1985 than for 1984, the last year the $5,000 minimum payment provision was in effect.

IMPACT AID PROGRAM STUDIES

Mr. Conte: Your justifications talk about some study that says it costs between $1,000 and $48,000 for a school district just to complete an application. If it really costs that much, why have so many decided to come back into the program?

Dr. Davenport: The $1,000 to $48,000 range for processing an application refers to the estimated total local, State, and Federal costs. For the small, nonrepresentative sample we reviewed, the local costs ranged from approximately $120 to over $47,000. Although local costs may be relatively low, they may still exceed a district's payment. Such districts may continue to apply for payments because they have never considered what it costs them to submit an application. Also, school districts perhaps do not attempt to determine how much their payments will be for a given year before deciding if it would be cost-effective for them to apply.

Mr. Conte: What other kinds of studies of the program are you conducting? Tell us about them.

Dr. Davenport: We are conducting case studies of five school districts that receive Impact Aid funds, one of which has been completed. We also hope to conduct a study in the near future of the relative wealth of Impact Aid districts.

Mr. Conte: Where does the money for those studies show up in the Department's justifications to this Committee?

Dr. Davenport: Such studies are supported by funds from the Salaries and Expenses account. The studies currently underway were supported with 1985 funds.

TRANSFER OF SECTION 6 RESPONSIBILITIES

Mr. Conte: I guess one of the big upcoming issues in this program is going to be the transfer of Section 6 responsibilities from the Defense Department to the local schools, as called for in the Military Construction bill last year. Do you know if the March 1 report on that transfer has been completed and issued?

Dr. Davenport: The report required by the Military Construction bill was submitted March 4.

Mr. Conte: What effect will this transfer have on the Section 3 payments that this Committee has responsibility for?

Dr. Davenport: This transfer will presumably increase the amount of Section 3 funds needed.

Mr. Conte: Will there be a large influx of children into the program?

Dr. Davenport: Over 30,000 more children would be eligible under Section 3 if these transfers take place.

Mr. Conte: Do you think the elimination of this program from the Defense bill will just mean that the slack will have to be picked up by the Labor/HHS appropriations bill?

Dr. Davenport: Federal payments for these children under Section 3 would have to be covered by the Labor/HHS/Education appropriations bill when the children transfer to public school systems. However, the Federal Government would no longer be paying the full cost of educating most of these children as the Department of Defense does now. The funds required for Section 3 payments for these children would probably be less than half of the funds DoD is currently spending for them.

CHANGES IN LOCAL CONTRIBUTION RATES

Mr. Conte: Can you explain for us the changes made in 1985 to the local contribution rates?

Dr. Davenport: The changes made to the local contribution rate policy in 1985 require that these rates be based on the same objective measures of educational costs for all districts.

Mr. Conte: Why do you think the regulations governing those rates are better now?

Dr. Davenport: The changes in the regulations result in much more equitable rates for similar districts. Previously, districts in nearly identical circumstances could obtain widely varying rates that resulted in significant differences in the amounts of their payments.

EDUCATION COSTS AND INCREASES IN IMPACT AID FUNDING

Mr. Porter: The average cost of education in this country has risen drastically in the past five years. Impact Aid, which is based on half of the national average of per pupil costs, has not kept up with this increase. In view of the fact that the Federal Government brings to a community children of, say, military personnel who live on the base, buy on the base, but do not pay sales tax or property tax, is this fair to these school districts?

Dr. Davenport: Section 3 Impact Aid payments are designed to assist school districts burdened by the presence of tax-exempt Federal property in their districts and increases in school enrollment due to Federal activities. They provide that portion of the education revenues for federally connected children that could have been raised if the Federal property the children are connected with were subject to local property taxes.

Local contribution rates are assigned to every Section 3 applicant to approximate the amount per child that could have been raised locally from taxes on the Federal property. These rates are used in the computation of each district's Section 3 entitlement and payment. The minimum local contribution rate guaranteed under the program statute is the greater of one-half the State or national average per pupil expenditure.

As indicated by the legislative history of the Impact Aid program statute, the basis for the minimum rate followed an assumption that locally raised funds amount to approximately half of a district's total funds for educational expenditures. Today, more and more States are providing a greater share of the cost of educating elementary and secondary students. To the extent States provide a greater share of the cost of education, local shares decline and Federal Impact Aid payments are appropriately reduced.

LEVEL OF IMPACT AID PAYMENTS

Mr. Porter: Shouldn't we be paying the actual cost of educating these children?

Dr. Davenport: No, Impact Aid funds are intended to make up reduced or lost local revenues only. State education funds must be provided for all children attending public schools, including federally connected children, and those funds generally make up at least half of average per pupil expenditures.

Mr. Porter: By not doing so, aren't we short-changing not only the relevant local school district, but also the children of military personnel?

Dr. Davenport: No, the children of military personnel who are enrolled in public schools receive a free education comparable to that provided to any other children who attend public schools.

Mr. Porter: Can't a strong argument be made that this program should be considered separate from general budget considerations?

Dr. Davenport: This argument could be made, but, in fact, the program is based on a Federal responsibility created when Federal activities impose a financial burden on local school districts. Because some children currently funded under this program do not constitute a burden to their school districts, we believe the level of funding for this program can be reduced without risk to the fulfillment of that responsibility.

SHOULD IMPACT AID BE TRANSFERRED TO DoD?

Mr. Porter: Should Impact Aid be entirely within the DoD budget?

Dr. Davenport: No, we believe it is more appropriate for the Impact Aid program to continue to be funded and operated by the Department of Education. Although this is not actually an education program, there are education concerns that must be taken into consideration in the operation of the program, e.g., changes in State and local school finance, requirements for education of the handicapped, special requirements for programs for Indian children, etc. This Department is in a better position to know what these concerns are and how they relate to this program and, also, what other Education programs need to be coordinated with this one.

It is important to remember also that school districts receive payments for several types of federally connected children, not just military dependents. There is no particular reason why DoD should be entirely responsible for a program in which children of military personnel currently account for only 27 percent of the total children. DoD has neither the expertise nor the desire to take over the operation of a complex grant program requiring direct dealings with 2,500-3,000 school districts each year.

DEPARTMENT OF EDUCATION

Impact Aid

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IMPACT AID

For carrying out title I of the Act of September 30, 1950, as amended (20 U.S.C. ch. 13), [$675,000,000] $543,000,000, of which [$22,000,000] $20,000,000 shall be for entitlements under section 2 of said Act, $10,000,000, which shall remain available until expended, shall be for payments under section 7 of said Act and [$643,000,000 shall be for entitlements under section 3 of said Act of which][1] $513,000,000 shall be for entitlements under section 3(a) of said Act: [Provided, That payment with respect to entitlements under section 3(a) to any local educational agency described in section 3(d)(1)(A) of said Act shall be at 100 per centum of entitlement except that payment to such agency attributable to children who reside on property which is described in section 403(1)(C) of said Act shall be limited to 15 per centum of entitlement: Provided further, That payment with respect to entitlements under section 3(a) to any local educational agency not described in section 3(d)(1)(A) shall be ratably reduced from 100 per centum of entitlement except that payment to such agency attributable to children who reside on property which is described in section 403(1)(C) shall be ratably reduced from 15 per centum of entitlement:[2] Provided further, That payment with respect to entitlements under section 3(b) of said Act to any local educational agency in which 20 per centum or more of the total average daily attendance is made up of children determined eligible under section 3(b) shall be at 60 per centum of entitlement and payment with respect to entitlements under section 3(b) of said Act to any local educational agency in which less than 20 per centum of the total average daily attendance is made up of children determined eligible under section 3(b) shall be ratably reduced from 100 per centum of entitlement:][3]

Provided, That payment with respect to entitlements under section 3(a) to any local educational agency whose children determined eligible under section 3(a) amount to at least 50 per centum of such agency's total average daily attendance shall be at 100 per centum of entitlement: Provided further, That payment with respect to entitlements under section 3(a) to any local educational agency whose children determined eligible under section 3(a) amount to at least 35 per centum but less than 50 per centum of such agency's total average daily attendance shall be at 95 per centum of entitlement: Provided further, That payment with respect to entitlements under section 3(a) to any local educational agency whose children determined eligible under section 3(a) amount to at least 20 per centum but less than 35 per centum of such agency's total average daily attendance shall be at 90 per centum of entitlement: Provided further, That payment with respect to entitlements under section 3(a) to any local educational agency whose children determined eligible under section 3(a) amount to at least 15 per centum but less than 20 per centum of such agency's total average daily attendance shall be at 75 per centum of entitlement: Provided further, That payment with respect to entitlements under section 3(a) to any local educational agency whose children determined eligible under section 3(a) amount to at least 10 per centum but less than 15 per centum of such agency's total average daily attendance shall be at 60 per centum of entitlement: Provided further, That payment with respect to entitlements under section 3(a) to any local educational agency whose children determined eligible under section 3(a) amount to less than 10 per centum of such agency's total average daily attendance shall be ratably reduced from 100 per centum of entitlement: Provided further, That payments on behalf of children who reside on property which is described in section 403(1)(c) of said Act shall be at 15 per centum of the respective payment level specified in each of the preceding six provisions:[4/] Provided further, That no payment shall be made under section 3(a) to any local educational agency whose payment under that section fails to exceed $5,000:[5/] Provided further, That only children described in section 3(a) shall be counted for determining eligibility and payments under section 3(d)(2)(B) of said Act:[6/] Provided further, That the aggregate amount for additional payments to local educational agencies eligible under section 3(d)(2)(B) shall not exceed $10,000,000:[7/] Provided further, That payment under section 5(b)(2) of said Act to any local educational agency described in section 3(d)(1)(A) of said Act shall not exceed 75 per centum of that agency's payment under sections 3(a) and 2 for the prior fiscal year: Provided further, That payment under section 5(b)(2) to any other local educational agency shall not exceed 50 per centum of that agency's payment under sections 3(a) and 2 for the prior fiscal year:[8/] Provided further, That the provisions of section 5(c) of said Act shall not apply to funds provided herein: Provided further, That no payments shall be made under section 7 of said Act to any local educational agency whose need for assistance under that section fails to exceed the lesser of $10,000 or 5 per centum of the district's current operating expenditures during the fiscal year preceding the one in which the disaster occurred [: Provided further, That in determining entitlements under section 3 of the Act of September 30, 1950 (Public Law 874, Eighty-first Congress), the local contribution rate for each local educational agency shall not be more than the local contribution rate for that agency for fiscal year 1985: Provided further, That in the case of a local educational agency that did not have a local contribution rate for fiscal year 1985, the Secretary shall base such agency's fiscal year 1986 payment on a local contribution rate the agency could have received for fiscal year 1985].[9/]

For carrying out the Act of September 23, 1950, as amended (20 U.S.C. ch. 19), [$20,000,000] $5,000,000, which shall remain available until expended, [shall be for providing school facilities as authorized by said Act, of which $8,500,000 shall be for awards under section 10 of said Act, $8,500,000][10/] and shall be for awards under sections 14(a) and 14(b) of said Act[, and $3,000,000 shall be for awards under sections 5 and 14(c) of said Act].[10/] (Department of Education Appropriation Act, 1986.)

[Provided further, That notwithstanding any other provision of this Act, amounts otherwise provided by this Act for the following accounts and activities are reduced by the following amounts:]

[IMPACT AID]

["School construction authorized by the Act of September 23, 1950", $2,500,000, of which $1,000,000 applies to section 10, $1,000,000 applies to section 14(a) and 14(b), and $500,000 applies to sections 5 and 14(c) of said Act;][11/] (Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriation Act, 1986.)

Impact Aid

Explanation of Language Changes

1/ This language is omitted because funds are requested only for subsection (a) of Section 3. Payments under subsection (b) are considered unnecessary because "b" children do not represent a burden to their school districts.

2/ This language is eliminated because a different distribution formula is proposed for fiscal year 1987 payments for "a" children. The new formula will provide a more equitable distribution of funds.

3/ Payments under Section 3(b) are not proposed for 1987.

4/ The seven provisions preceding this footnote contain a new payment formula for 1987. This formula reflects more consistently the burden represented by different proportions of "a" children in a district and distributes funds more equitably.

5/ This provision restores the $5,000 minimum payment provision that was in effect in fiscal years 1982-84. This minimum eliminates very small payments to districts with very few federally connected children. As a result of the minimum payment requirement, funds are reserved for only those districts experiencing actual financial burdens due to Federal activities.

6/ Since payments for children described in Section 3(b) of the program statute are not proposed for 1987, the child count would be limited to 3(a) children only for purposes of Section 3(d)(2)(B).

7/ This language sets a limit for payments above the formula amounts for districts that are eligible under Section 3(d)(2)(B). Setting aside a specific sum for these payments will eliminate delays in processing final payments for the approximately 1,100 other districts that receive funds under Section 3(a) but not Section 3(d)(2)(B).

8/ Section 5(b)(2) currently provides that a district should receive payments under Sections 2 or 3 at the beginning of a fiscal year at the rate of at least 75 percent of that district's previous year's payments under those sections. This language changes the rate of these preliminary payments to no more than 75 percent of the previous year's Sections 2 and 3(a) payments for heavily impacted districts and no more than 50 percent of the previous year's Sections 2 and 3(a) payments for other districts. Payments received under Section 3(b) in 1986 are eliminated from the base used to calculate 1987 preliminary payments. This change, and the lower percentage to be paid to districts with fewer Federal children, would minimize the risk of overpayments in 1987.

Impact Aid

Explanation of Language Changes -- Continued

9/ This language is a hold-harmless provision for local contribution rates used to compute 1986 payments. It is unnecessary in 1987 since the Department's new regulations for establishing local contribution rates would be in effect.

10/ The 1986 appropriation provides construction funds for three types of applicants. In 1987, funds are requested only for Sections 14(a) and (b), the most urgent school construction projects. Section 10 projects will continue to be funded from funds available to the Department of Defense.

11/ In 1986, the Congress included this language to override funding levels approved elsewhere in the Department of Education Appropriation Act. There is no reason to retain this language for 1987.

Impact Aid

Language Analysis

Language Provision	Explanation
...$10,000,000, which shall remain available until expended, shall be for payments under section 7 of said Act...	The General Provisions of the annual appropriation law routinely prohibit the availability of funds beyond the fiscal year of appropriation. This language overrides that prohibition.
...$513,000,000 shall be for entitlements under section 3(a) of said Act:	This language indicates that Section 3 funds will be available only for payments under subsection 3(a).
[Provided, That payment with respect to entitlements under section 3(a) to any local educational agency described in section 3(d)(1)(A) of said Act shall be at 100 per centum of entitlement...]	The formula for making 3(a) payments to "Super a" districts in 1986 was defined by this language. It replaced the tier payment system contained in Section 5(c) of the program statute.
[...except that payment to such agency attributable to children who reside on property which is described in section 403(1)(C) of said Act shall be limited to 15 per centum of entitlement:]	The basic law authorizes payments at up to 100 percent of entitlement for Section 3(a) children connected with low-rent housing property. This language limited 1986 payments for these children to no more than 15 percent of entitlement.
Provided further, That payment with respect to entitlements under section 3(a) to any local educational agency not described in section 3(d)(1)(A) shall be ratably reduced from 100 per centum of entitlement...	The formula for making 3(a) payments to "regular a" districts in 1986 was defined by this language. It replaced the tier payment system contained in Section 5(c) of the program statute.
...except that payment to such agency attributable to children who reside on property which is described in section 403(1)(C) shall be ratably reduced from 15 per centum of entitlement:	The basic law authorizes payments at up to 100 percent of entitlement for Section 3(a) children connected with low-rent housing property. This language would limit payments for these children to no more than 15 percent of entitlement.

Impact Aid

Language Analysis -- Continued

Language Provision	Explanation
[Provided further, That payment with respect to entitlements under section 3(b) of said Act to any local educational agency in which 20 per centum or more of the total average daily attendance is made up of children determined eligible under section 3(b) shall be at 60 per centum of entitlement and payment with respect to entitlements under section 3(b) of said Act to any local educational agency in which less than 20 per centum of the total average daily attendance is made up of children determined eligible under section 3(b) shall be ratably reduced from 100 per centum of entitlement:]	Funds were appropriated for payments under Section 3(b) for 1986. This language specified the formula for distribution of the funds. It overrode the tier payment system in the program law.
Provided, That payment with respect to entitlements under section 3(a) to any local educational agency whose children determined eligible under section 3(a) amount to at least 50 per centum of such agency's total average daily attendance shall be at 100 per centum of entitlement: ...payments on behalf of children who reside on property which is described in section 403(1)(c) of said Act shall be at 15 per centum of the respective payment level specified in each of the preceding six provisions:	This language establishes a payment formula for Section 3(a) for 1987. It overrides the tier payment system contained in Section 5(c).
Provided further, That no payments shall be made under section 3 to any local educational agency whose payment under that section fails to exceed $5,000:	There is no minimum payment provision currently in the statute. This language adds a minimum in order to reserve funds for those districts experiencing actual financial burdens and to reduce administrative costs.
Provided further, That only children described in section 3(a) shall be counted for determining eligibility	Both 3(a) and 3(b) children are counted for eligibility for Section 3(d)(2)(B) under the current

Impact Aid

Language Analysis -- Continued

Language Provision	Explanation
and payments under section 3(d)(2)(B) of said Act:	statute. This language eliminates 3(b) children from calculations for payments under Section 3(d)(2)(B).
Provided further, That the aggregate amount for additional payments to local educational agencies eligible under section 3(d)(2)(B) shall not exceed $10,000,000:	The basic law contains no limit on payments under Section 3(d)(2)(B) except that contained in the tier payment system in general. This language is necessary to specify the amount of additional funds available for districts which qualify under Section 3(d)(2)(B).
Provided further, That payment under section 5(b)(2) of said Act to any local educational agency described in section 3(d)(1)(A) shall not exceed 75 per centum of that agency's payment under sections 3(a) and 2 for the prior fiscal year: Provided further, That payment under section 5(b)(2) of said Act to any other local educational agency shall not exceed 50 per centum of that agency's payment under sections 3(a) and 2 for the prior fiscal year:	Section 5(b)(2) provides for Sections 2 or 3 payments to a district at the beginning of the fiscal year at the rate of 75 percent of that district's previous year's payments for those sections. This language changes the rate of such payments to either 75 or 50 percent of the previous year's Sections 2 and 3(a) payments only, in order to minimize the risk of overpayments.
Provided further, That the provisions of section 5(c) of said Act shall not apply to funds provided herein:	Section 5(c) establishes a tier system for distributing funds when appropriations are not sufficient to pay full entitlement to all districts. Special language is included here for a distribution formula different from that in Section 5(c).
Provided further, That no payments shall be made under section 7 of said Act to any local educational agency whose need for assistance	The authorizing legislation establishes a threshold of eligibility for major disaster assistance at $1,000 or one-half of one

Impact Aid

Language Analysis -- Continued

Language Provision	Explanation
under that section fails to exceed the lesser of $10,000 or 5 per centum of the district's current operating expenditures during the fiscal year preceding the one in which the disaster occurred.	percent of a district's current operating expenditures during the fiscal year preceding the year in which the disaster occurred, whichever is less. Because inflation has made the current threshold unrealistically low, this language raises that threshold to $10,000 or 5 percent of current operating expenditures during the fiscal year preceding the year in which the disaster occurred, whichever is less.
[: Provided further, That in determining entitlements under section 3 of the Act...the local contribution rate for each local educational agency shall not be more than the local contribution rate for that agency for fiscal year 1985: ...in the case of a local educational agency that did not have a local contribution rate for fiscal year 1985, the Secretary shall base such agency's fiscal year 1986 payment on a local contribution rate the agency could have received for fiscal year 1985].	This language overrode provisions in the authorizing statute and regulations for determining local contribution rates.
For carrying out the Act of September 23, 1950, as amended (20 U.S.C. ch. 19), [$20,000,000] $5,000,000, which shall remain available until expended, [shall be for providing school facilities as authorized by said Act, of which $8,500,000 shall be for awards under section 10 of said Act, ...awards under sections 5 and 14(c) of said Act].	This language specifies a distribution of funds among the sections of P.L. 81-815.

Impact Aid

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual........................	$695,000,000	$695,000,000	$548,000,000
Reduction (P.L. 99-178).......	---	-2,500,000	---
Sequester order...............	---	-29,778,000	---
Subtotal, adjusted appropriation..............	695,000,000	662,722,000	548,000,000
Recovery of prior year obligations..................	1,944,000	---	---
Unobligated balance, start of year..........................	5,255,000	6,454,000	---
Unobligated balance, end of year..........................	-6,454,000	---	---
Total obligations..........	695,746,000	669,176,000	548,000,000

Impact Aid

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. Maintenance and operations:				
(a) Payments for "a" children........	$513,000,000	$490,941,000	$490,941,000	$513,000,000
(b) Payments for "b" children........	130,000,000	124,410,000	124,410,000	---
(c) Special provisions...............	22,000,000	21,054,000	21,054,000	20,000,000
Subtotal....................	665,000,000	636,405,000	636,405,000	533,000,000
2. Disaster assistance...................	10,000,000	9,570,000	9,570,000	10,000,000
3. Construction..........................	17,500,000	16,747,000	16,747,000	5,000,000
Total.......................	692,500,000	662,722,000	662,722,000	548,000,000

Impact Aid

Budget Authority by Object

	1985	1986	1987
Lands and structures...........	$30,000,000	$26,317,000	$15,000,000
Grants, subsidies, and contributions................	665,000,000	636,405,000	533,000,000
Total budget authority by object.............	695,000,000	662,722,000 1/	548,000,000

1/ Reflects a reduction of $29,778,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Impact Aid

Summary of Changes

1986 Estimate	$692,500,000
1986 Sequester order	-29,778,000
Total estimated budget authority	662,722,000
1987 Request	548,000,000
Net change	-114,722,000

	1986 base 1/	Change from base
Increases:		
Program:		
1. Maintenance and operations--increase in funds for section 3(a) payments, allowing higher rates of payment for most school districts	$490,941,000	+$22,059,000
2. Disaster assistance--increase in funds available for paying claims, allowing for funding of all claims	9,570,000	+430,000
Subtotal		+22,489,000
Decreases:		
Program:		
1. Maintenance and operations--elimination of funds for Section 3(b) payments which are not requested for 1986	124,410,000	-124,410,000
2. Maintenance and operations--decrease in funds for Section 2 payments	21,054,000	-1,054,000
3. Construction--elimination of most funds for construction of school facilities in areas affected by Federal activities because some projects can be delayed without serious consequences and funds are available from another agency for other projects	16,747,000	-11,747,000
Subtotal		-137,211,000
Net change		-114,722,000

1/ Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Impact Aid

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. Maintenance and operations:			
a. Payments for "a" children	P.L. 81-874, Sec. 3(a)	$760,000,000 1/	$780,000,000 2/
b. Payments for "b" children	P.L. 81-874, Sec. 3(b)	1/	2/
c. Special provisions	P.L. 81-874, Sec. 2	1/	2/
2. Disaster assistance	P.L. 81-874, Sec. 7	1/	2/
3. Construction	P.L. 81-815	Indefinite	Indefinite
Total definite authorization..............		760,000,000	780,000,000

1/ A total of $760,000,000 is authorized for all P.L. 81-874 activities for fiscal year 1986.

2/ A total of $780,000,000 is authorized for all P.L 81-874 activities for fiscal year 1987.

Impact Aid

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation [1]
1978	$368,300,000	$747,300,000	$767,300,000	$747,300,000
1979	821,900,000 [2]	792,900,000	735,600,000	752,600,000
1980	458,000,000	707,000,000	655,000,000	755,000,000
1981	339,000,000	681,750,000	681,750,000	681,750,000
1982	326,000,000	475,000,000	455,000,000	456,200,000
1983	286,880,000	475,000,000	475,000,000	540,200,000
1984	455,000,000	[3]	585,000,000	600,300,000
1985	506,630,000	[3]	695,000,000	695,000,000
1986	543,000,000	695,000,000	630,500,000	692,500,000
1986 Sequester	-29,778,000			
1987	548,000,000			

1/ Reflects enacted supplementals, rescissions, and reappropriations.

2/ Includes a budget amendment of $29,000,000 for Construction which was submitted to the Congress in mid-1978. No action was taken on this request as it was received by the Congress too late for consideration with the fiscal year 1979 appropriations bill.

3/ The House deferred action on funding for this program because an amendment to the authorizing statute was pending at the time.

NOTE: This table excludes funds for Section 6, authorization for which was transferred to the Department of Defense as of fiscal year 1982.

Impact Aid

Significant Items in Congressional Appropriations Reports

Item	Action taken or to be taken
1986 House Report	
Payments to the Bourne, Massachusetts, School District	
"The Committee remains concerned over the situation in Bourne, Massachusetts where a slight decrease in the number of federally connected students has meant a drastic decline in Federal aid. ...the Committee directs the Department to send a team of experts within thirty days to Bourne, Massachusetts, to seek solutions to this problem. The Committee further directs the Secretary to use all discretionary authority and flexibility within the Impact Aid program to provide Federal financial relief to Bourne, Massachusetts."	A contractor for the Department has conducted the site visit requested. A study report is currently being prepared. The Department expects to be able to transmit the report to the Congress in April. The Department is providing to this district, and all others eligible under this program, the full amount of funds permitted by law. The Secretary has no discretion to modify the provisions of the authorizing or appropriation laws for individual districts.
Construction Application for Fort Polk, Louisiana	
"The Committee strongly urges the Secretary of Education to give serious consideration to Fort Polk Elementary School for school construction funds under the P.L. 81-815, impact aid program. It is the sense of the Committee that the conditions at Fort Polk warrant immediate action."	The Impact Aid program staff have reviewed the circumstances of this district, including conducting a site visit to their school facilities. The district does not appear to meet the eligibility requirements in the law and the regulations. A report will be transmitted to the Committees shortly.
1986 Senate Report	
Construction Application for Fort Polk, Louisiana	
"The Committee strongly urges the Secretary of Education to give priority consideration to Fort Polk Elementary School for school construction funds under Public	The Impact Aid program staff have reviewed the circumstances of this district, including conducting a site visit to their school facilities. The district does

Impact Aid

Significant Items in Congressional Appropriations Reports -- Continued

Item	Action taken or to be taken
1986 Senate Report -- Continued	
Law 81-815, Impact Aid Program. It is the sense of the Committee that the conditions at Fort Polk warrant immediate action."	not appear to meet the eligibility requirements in the law and the regulations. A report will be transmitted to the Committees shortly.
Payments to Districts Eligible Under Section 3(d)(2)(B)	
"The Committee directs the Secretary to fully fund section 3(d)(2)(B), which compensates several of the Nation's most severely impacted local educational agencies for local revenues lost due to Federal activity. Further, payments made to school districts which qualify under this section shall not be subject to any proration of either "A" or "B" category payments."	A recent amendment to the authorizing statute requires that payment amounts computed under the terms of Section 3(d)(2)(B) not be prorated. However, regular Section 3 "a" and "b" payments for these districts are still subject to the terms and conditions of the formula in the annual appropriations laws and and may be prorated.
1985 Senate Report	
Payments to Highland Falls, New York	
"The Committee directs the Secretary to conduct a study of the Highland Falls School District in the State of New York in an effort to determine what actions might be taken by the Department to mitigate some of the difficult economic circumstances which have resulted from the almost complete dominance of the U.S. Military Academy on this small community. The Committee directs the Secretary to submit this report by February 1, 1985."	The Department has completed this study. It is part of a larger effort to look at the circumstances of a number of heavily impacted districts. The report for this study was distributed in February 1986.

Impact Aid

Significant Items in Congressional Appropriations Reports—Continued

Item	Action taken or to be taken
1984 Senate Report	
Comparable Districts for Douglas, South Dakota	
The Committee directed that the Department give special consideration to the selection by Douglas of the Todd and/or Shannon school districts as comparable districts for the purposes of calculating Douglas' rates. The Committee further directed that the Department provide a written report to the House and Senate on the processing of that district's 1984 application for Impact Aid funds.	The Department set a local contribution rate for Douglas on a lawful and proper basis giving consideration to appropriate factors in determining that rate, as well as the Committee's concerns. As requested, the Department will provide a written report to the House and Senate describing action taken on Douglas' 1984 application. Fiscal data from the applicant and the State as a whole, which were needed to finish processing the district's application under Section 3(d)(2)(B), were recently received. A report will be prepared and transmitted to the Congress shortly.
1983 Senate Report	
Changes Necessary to Target Funds Where Needed	
The Committee directed the Department to conduct a thorough review of the provisions of Section 3(d)(2)(B) toward the goal of determining what changes are necessary in order to ensure the targeting of funds to those districts most in need.	The Department was unable in 1985 to begin a review of the administration of Section 3(d)(2)(B) and to begin to draft regulations governing it because of other, more urgent regulatory projects. This is now scheduled to take place in 1986. Congressional concerns will be taken into consideration while these activities are taking place.

Impact Aid

Account Summary

	1985	1986	1987
1. Maintenance and operations:			
a. Payments for "a" children	$513,000,000	$490,941,000	$513,000,000
b. Payments for "b" children	130,000,000	124,410,000	---
c. Special provisions........	22,000,000	21,054,000	20,000,000
Subtotal.............	665,000,000	636,405,000	533,000,000
2. Disaster assistance..........	10,000,000	9,570,000	10,000,000
3. Construction.................	20,000,000	16,747,000	5,000,000
Total budget authority	695,000,000	662,722,000	548,000,000

To compensate school districts for the cost of educating children when enrollments and the availability of revenues from local sources have been adversely affected by Federal activities, Public Laws 81-874 and 81-815, as amended, provide funds for current operating expenses and construction assistance. Payments under Section 3 of Public Law 81-874, which are made to school districts for the cost of educating children who reside and/or whose parents work on Federal property or are in the uniformed services, as well as children who reside on certain Indian lands or in federally subsidized, low-rent housing, constitute the major part of this program. These same districts also may be eligible for construction assistance because of their federally connected children.

To assist school districts that have suffered damage to their facilities from natural disasters, major and pinpoint disaster assistance also is authorized under both laws. The Congress has appropriated funds only for the major disaster program.

When both laws were enacted in 1950, a Federal policy for assisting school districts that are financially burdened as a result of existing, new, or expanded Federal activities was established. The primary focus of the program at that time was to respond to the impact of increased populations in centers of defense production and near military installations. Since that time, the provisions of the program statute have been expanded to include additional compensation to districts for all children residing on certain Indian lands and some handicapped children (those who reside on Indian lands or who have a parent in the uniformed services), to include in the definition of Federal property certain low-rent housing properties as well as tax-exempt properties owned by foreign governments, and to make districts with certain refugee children eligible for payment.

Subsequent amendments to the basic Impact Aid statutes (most contained in the Omnibus Education Reconciliation Act of 1981, as amended) made a number of changes in the authorizing legislation: No funds are authorized to be

Impact Aid

Account Summary--Continued

appropriated to the Department of Education through 1988 for Sections 3(e), 4, or 6; the Department of Defense is authorized to make funds appropriated to it available for Section 6 activities; entitlements for Section 3(b) are reduced and, in fact, were scheduled for elimination, but this decision was reversed; and specific authorization ceilings were set.

In 1983, an amendment to Public Law 81-874 was enacted to treat each administrative school district in a State comprised of one local educational agency as a separate local educational agency for purposes of computing Impact Aid payments under Section 3. For fiscal years 1984-86, this change is not to result in an increase of more than 10 percent above what the State would have received without this amendment. Hawaii is the only State affected by this amendment at this time.

In 1984, a schedule for repayment of Section 2 overpayments was added to the law, prohibiting the Department from collecting more than 10 percent of certain overpayments in any single year. The requirement that a district must have at least 10 Federal children to qualify for funding under Section 3 was eliminated, effective in fiscal year 1985. A provision was added to the law requiring the Department to fully fund payments to any district eligible under Section 3(d)(2)(B) and to fully fund payments under Section 3(a) to a district not eligible under Section 3(d)(2)(B) if that district's boundaries are coterminous with a military installation.

As in recent years, the budget proposal directs funds to the most heavily impacted districts, those suffering the greatest burden as a result of Federal activities. Payments will be made on behalf of all 3(a) children and at a higher rate to districts where such children amount to higher proportions of the total average daily attendance of the districts. Funds are not requested for payments on behalf of 3(b) children, because the presence of those children poses no significant burden on local school districts.

Funds are requested for 1987 only for Sections 14(a) and 14(b) of the Construction program, for grants to districts that serve large numbers of Indian children or contain large areas of Indian lands. Since 1984, the Department of Defense annual authorizations have permitted the Secretary of Defense to make appropriations available for construction activities under Section 10 of Public Law 81-815. Funds are requested by DOD for these activities again in 1987. Other construction projects under Sections 5 and 9, which have had a substantially lower priority in past appropriations must be postponed until the Federal deficit is reduced.

In the proposal for Disaster Assistance, the budget requests authority for funds to remain available until expended. This provision, first adopted in 1985, increases the Department's flexibility to meet the varying levels of demand for disaster assistance.

Impact Aid

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1. Maintenance and operations
   (Public Law 81-874, as amended, Sections 2 and 3)

1987 Authorization: $780,000,000[1/]

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$665,000,000	$636,405,000	$533,000,000	-$103,405,000

[1/] A total of $780,000,000 is authorized for all P.L. 81-874 activities.

Purpose and Method of Operation

To help compensate school districts (also referred to as local educational agencies) for the cost of educating children when enrollment and the availability of revenues from local sources have been adversely affected by Federal activities, Public Law 81-874, as amended, provides Maintenance and Operations funds.

The various sections of this program provide payments for current operating expenses and are described below. Sections 5(c) and 5(e) establish the portions of entitlements that will be allocated and paid when an appropriation for a fiscal year is not enough to fully fund all entitlements under Section 3. Section 2 payments are to be ratably reduced from full entitlement when sufficient funds are not appropriated for payments of full entitlement.

- Section 2 authorizes assistance to school districts having a partial loss of tax base (10 percent or more of assessed value) as a result of the acquisition (since 1938) of real property by the United States Government.

- Section 3(a) authorizes payments for children who reside, _and_ whose parents work on Federal property or are in the uniformed services.

- Section 3(b) authorizes payments for children who reside, _or_ whose parents work on Federal property or are in the uniformed services.

- An amendment enacted in 1983 enables subdistrict administrative units in States comprised of one local educational agency (LEA) to be considered LEAs for the purpose of Section 3 payments. This amendment affects only Hawaii at this time.

- Section 3(d)(2)(B) authorizes increased rates of payment for certain districts under specified circumstances to the extent necessary to

Impact Aid

1. Maintenance and operations

Purpose and Method of Operation -- continued

enable a school district to provide a level of education equivalent to that provided by comparable school districts in the same State.

- The Omnibus Education Reconciliation Act of 1981, as amended, eliminates funding through 1988 for Section 3(e), which authorizes phase out entitlements under specified conditions to school districts that lose a substantial number of children due to a decrease or cessation of Federal activities in the State in which the school district is located.
- The Omnibus Education Reconciliation Act of 1981, as amended, eliminates funding through 1988 for Section 4, which authorizes assistance for sudden and substantial increases in federally connected attendance resulting from activities carried on by the Federal Government either directly or through a contractor.
- The Omnibus Education Reconciliation Act of 1981 transferred to the Department of Defense the funding authority for Section 6. This section authorizes payments to Federal agencies or local educational agencies to educate children who reside on Federal property when the State or local educational agency is unable, because of legal or other reasons, to provide a suitable free public education.

Payments are made directly to school districts for the current fiscal year where they are usually commingled with State, local, and other funds that are used for general operating expenses which benefit all students enrolled in the district.

Accomplishments

In fiscal year 1984, a major reform in program operations was implemented. A new local contribution rate policy was initiated through the publication of regulations in the Federal Register. (Local contribution rates play a significant role in the computation of a school district's entitlement and payment amounts.)

The new method of computing local contribution rates produces much more equitable results within States and between States. Now, districts of similar size and metropolitan status (urban or rural location) that serve the same grade span have the same choice of local contribution rates. The factors that are now used to group school districts prior to computing local contribution rates (grade span, size, and location) have been found through school finance research to be objectively related to school costs. These factors have also been referred to in the legislative history of the program statute and in the law itself as measures of comparability and thus are clearly appropriate for use in this fashion.

Accomplishments -- continued

Formerly, some applicants had almost unlimited flexibility in selecting factors on which to compare themselves to other districts, were able to choose a few unusual, often dissimilar, districts for this purpose, and were able to manipulate data to produce excessively high, unwarranted rates. Other districts were unable, because of their own adverse financial circumstances, to receive a local contribution rate above the minimum provided by the program statute. Districts in similar circumstances, with similar basic costs, received widely varying local contribution rates and payments. Within a group of similar districts in the same State, rates varied by over 100 percent. Poor districts were kept poor and wealthier districts thrived.

In 1985, further refinements to the regulations were implemented as a result of public comments received.

Also in 1985, several studies addressing various aspects of Section 3 were conducted to help evaluate program effectiveness. One collected information to estimate the cost to local educational agencies, State educational agencies, and the Department of preparing, reviewing and processing Section 3 applications and identified some of the effects of a $5,000 minimum payment provision.

The study tried to estimate costs of processing Section 3 applications in a small, non-representative sample of districts receiving payments. This study estimated that local, State, and Federal approximate costs for processing a single application ranged from almost $1,100 to over $48,500. If two large urban districts which have significantly higher local costs are omitted, the range is from almost $1,100 to $5,000. These tentative findings, which remain to be verified, point to the need for additional work in this area.

To eliminate small awards to school districts where the cost of processing applications can exceed the amount of many payments under this section, and because appropriations for "b" payments were significantly reduced in fiscal year 1982, the Congress included in the appropriations laws for fiscal years 1982-84 a $5,000 minimum payment provision. This provision considerably reduced the number of applicants eligible for payment during those years. The same study cited above looked at nine districts that received payments in 1981 but did not in 1982, 1983, or 1984 because of the minimum payment requirement. For each of these districts, the 1981 payment amounted to less than one percent of the district's total expenditures for that year. None of the districts counted on receiving the funds when planning its budget and each considered the payments additional discretionary funds, with no strings attached.

Accomplishments -- continued

Although the minimum payment provision was not extended for fiscal years 1985 or 1986, a review of current payment data for 1985 identified 876 districts--over 30 percent of all districts paid--that received payments below $5,000. Of the 876 districts, 542 payments were less than $2,500 and 89 were less than $500.

Another study, which is on a larger scale, was initiated in 1985 and will continue in 1986. This study is examining the circumstances of certain heavily impacted school districts and comparing them to other individual districts in their States and to their States as a whole. This study responds to congressional inquiries about a number of districts and will attempt to determine whether some districts are undercompensated by this program. The first district examined was Highland Falls, New York, as requested in the Senate bill report accompanying the 1985 Appropriation Act. The study of Highland Falls has been completed and the study report is being distributed.

The study found that Highland Falls is able to provide an adequate--and in some areas more than adequate--educational program for its students, while struggling with substantial maintenance problems with its buildings. Appropriation levels and payment formulas in recent years have significantly reduced Impact Aid payments to Highland Falls. However, much of their financial troubles appear to be due to the failure to maintain their school buildings in the 1970's when their funds were sufficient enough that the property tax rates of the community were decreased. In recent years, an unusually high proportion of the district's resources have had to be diverted to repair and maintenance projects, and this is expected to continue for the next few years.

For 1986, Highland Falls has received a payment from the Department of Defense and has not requested funding under section 3 from the Department of Education.

Reports of studies of the Randolph Field, Texas; Bourne, Massachusetts; and Bellevue, Nebraska, school districts will be completed during the next six months. A limited report on the Douglas, South Dakota, school district will also be completed during this time.

A third study, yet to be initiated, will use Census data and other sources of information to classify Impact Aid districts by degree of wealth. This study will compare Impact Aid districts to other school districts and will attempt to develop a profile of a typical Impact Aid applicant.

In 1985, a legislative amendment was enacted that may have implications for future Section 3 payments. This amendment was incorporated in the 1986 Military Construction bill and directs the Department of Defense to transfer responsibility for all children attending Section 6 schools to local

Accomplishments -- Continued

educational agencies by 1990. A plan for this transfer is supposed to be submitted to the Congress by March 1, 1986. The termination of all Section 6 arrangements would result in some 30,000 additional children becoming eligible for Section 3 payments (as well as for State aid under applicable State laws).

The Department of Education has offered to assist DOD in developing and implementing this plan. In an effort to obtain information about the effects of the amendment, the Impact Aid association recently held a workshop that was attended by representatives from Section 6 schools, LEAs, SEAs, DOD, GAO, and this Department. A GAO study, mandated by the Congress, which looks at Section 6 arrangements with the idea of possibly transferring the children to LEAs will be completed in the next few months and will also provide information that will be useful in determining how to implement this amendment.

1987 Budget Proposal

A total of $533,000,000 is requested for these activities in 1987, $103,405,000 less than the 1986 appropriation after sequestering. An amount of $513,000,000 is requested for Section 3(a), $22,059,000 more than the 1986 appropriation after sequestering.

For 1987, a more equitable distribution formula is proposed for payments under Section 3(a). (See chart below.) This revised formula would continue to provide higher rates of payment for districts with higher proportions of federally connected children. However, the proposed formula contains a sliding scale, with several stages at which payment rates would decrease, instead of the current, abrupt transition from full funding or nearly full funding to less than half of that amount when a district has fewer than 20 percent Federal children.

Percent of "a" Children in District	1985	1986 Available after Sequestering	1987 Request
50%-100%	100%	95.7%	100%
35 - 49	100	95.7	95
20 - 34	100	95.7	90
15 - 19	45-50 1/	43-48 1/	75
10 - 14	45-50 1/	43-48 1/	60
less than 10	45-50 1/	43-48 1/	40 1/

1/ These percentages are estimates.

1987 Budget Proposal -- Continued

Payments on behalf of children who reside in certain federally subsidized, low-rent housing are to be made at a reduced rate (no more than 15 percent of entitlement) because the presence of these children in a school district is genrally not a direct result of Federal activities.

No funds are requested for payments under Section 3(b). These payments are not warranted since "b" children do not represent a genuine burden to their school districts. An amount of $124,410,000 was available for these payments in 1986 after sequestering.

In 1987, the Department proposes to earmark funds to cover additional sums to be paid to districts eligible under Section 3(d)(2)(B). Funds for 1987 payments under this provision would be limited to $10 million. To date, fewer than 10 districts have been eligible for this special funding in any one year, and additional funds for these districts have not exceeded $12 million per year. This proposal to set a specific sum aside for 3(d)(2)(B) payments would eliminate delays in final payments to the approximately 1,100 other 3(a) applicant districts which result from awaiting submission of final fiscal data by 3(d)(2)(B) applicant districts and their States. A similar provision was included in appropriation legislation in 1983.

Another proposed change to the operation of Section 3(d)(2)(B) in 1987 is the elimination of 3(b) children from the eligibility criteria. Currently, federally connected children counted under Sections 3(a) and 3(b) must equal at least 50 percent of total average daily attendance in order for a district to meet the initial eligibility requirement for 3(d)(2)(B). Since funds are not requested for payments for 3(b) children in 1987, it would be inconsistent to count them for eligibility and/or payment under Section 3(d)(2)(B). Therefore, a district would have to have 3(a) children amounting to at least 50 percent of total average daily attendance to be eligible for consideration for 3(d)(2)(B) funds in 1987, and 3(d)(2)(B) funds will be paid only on behalf of 3(a) children.

In 1987, the Dep rtment proposes to restore the $5,000 minimum payment provision that was in effect in fiscal years 1982-84. This minimum eliminates very small payments to districts with very few federally connected children (10 children or 3 percent of enrollment). Through the minimum payment requirement, funds are reserved for only those districts experiencing actual financial burdens due to Federal activities.

Section 2 payments are expected to be made at 100 percent of entitlement under the 1987 budget proposal. Full entitlement is expected to be approximately $20 million. Under the 1986 appropriation of $21.1 million after sequestering, Section 2 payments will also be made at 100 percent of entitlement.

Impact Aid

1. Maintenance and operations

The Department proposes to change the rate of preliminary payments to school districts receiving payments in 1987 under Sections 2 and 3. Currently, districts receive payments at the beginning of a fiscal year at the rate of at least 75 percent of that district's previous year's payments under Section 2 and 3. The Department proposes to change the rate of thse preliminary payments to no more than 75 percent of the previous year's Sections 2 and 3(a) payments for heavily impacted "Super a" districts and no more than 50 percent of the previous year's Sections 2 and 3(a) payments for other districts. Payments received under Section 3(b) in 1986 are eliminated from the base used to calculate 1987 preliminary payments. This change and the lower percentage to be paid to districts with fewer Federal children would minimize the risk of overpayments in 1987.

Impact Data

	1985	1986 Available after Sequestering	1987 1/
Payments for "a" children:			
20% to 100% "a" children in district:			
No. of LEA awards......	326	326	326
No. of children........	158,000	158,000	158,000
Total awards...........	$355,000,000 2/	$340,000,000 2/	$360,000,000 2/
Percent of entitlement to be paid...........	100%	95.7%	90-100%
Less than 20% "a" children in district:			
No. of LEA awards......	1,150	1,150	780
No. of children........	168,000	168,000	166,000
Total awards...........	$158,000,000 2/	$150,941,000 2/	$153,000,000 2/
Percent of entitlement to be paid...........	45% 2/	43.1% 2/	40-75%
Payments for "b" children:			
20% to 100% "b" children in district:			
No. of LEA awards......	331	331	—
No. of children........	476,000	476,000	—
Total awards...........	$79,000,000 2/	$75,600,000 2/	—
Percent of entitlement to be paid...........	60%	57.4%	—

Impact Data — Continued

	1985	1986 Available after Sequestering	1987 1/
Payments for "b" children:			
Less than 20% "b" children in district:			
No. of LEA awards......	2,300	2,300	---
No. of children........	1,218,000	1,218,000	---
Total awards...........	$51,000,000 2/	$48,810,000 2/	---
Percent of entitlement to be paid...........	15% 2/	14.35% 2/	---
Special provisions (Sec. 2):			
No. of LEA awards........	260	260	260
Percent of entitlement to be paid.............	100%	100%	100%

1/ There will be six categories of "a" districts in 1987 under the budget proposal. However, for purposes of comparison with 1985 and 1986, they are all displayed in two categories here.

2/ These figures are estimates.

2. Disaster assistance
(Public Law 81-874, as amended, Section 7; and Public Law 81-815, as amended, Section 16)

1987 Authorization: $780,000,000[1/]

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$10,000,000	$9,570,000	$10,000,000	+$430,000

[1/] A total of $780,000,000 is authorized for all P.L. 81-874 activities; the authorization for P.L. 81-815 is indefinite.

Purpose and Method of Operation

Section 7 of Public Law 81-874 authorizes assistance to local educational agencies (LEAs) affected by major disasters or pinpoint disasters. No funds have ever been appropriated specifically for pinpoint disaster assistance, and the Department is proposing that this provision be repealed.

An LEA must be located in a Presidentially declared disaster area in order to be eligible to apply for major disaster assistance funds. Funds provided in the form of grants enable LEAs to make minor repairs, provide temporary facilities, pay increased operating expenses, and replace instructional materials and equipment.

Section 16 of Public Law 81-815 authorizes assistance to local educational agencies for major repairs or replacement of school facilities damaged by major or pinpoint disasters. The pinpoint disaster provision under Section 16 has never been funded, and the Department is proposing that this provision also be repealed. Funds have never been appropriated specifically for Section 16, although the Secretary has had the authority to borrow from funds appropriated for other sections of P.L. 81-815 for use for Section 16 disaster assistance. The Omnibus Education Reconciliation Act of 1981 permits funds available for Section 7 to be used for grants under Section 16 also.

Accomplishments

In 1985, grants totalling $7.7 million were awarded under Section 7 to 37 local educational agencies in 16 States. These funds enabled school districts to repair damage to school facilities caused by hurricanes, earthquakes, severe storms and flooding, heavy rains, land slides, and tornadoes. It is impossible to forecast what grants will be made in the future. The remaining $2.3 million of the 1985 appropriation for this activity was carried over for use in fiscal year 1986.

2. Disaster assistance

1987 Budget Proposal

For fiscal year 1987, $10 million is requested for Disaster Assistance, an increase of $430,000 over the 1986 appropriation after sequestering. The 1987 budget for this activity proposes to continue funding at the 1986 appropriation level. No funds are requested separately for Section 16. Because the level of funds required for disaster assistance fluctuates greatly from year to year (e.g., over $27 million in 1984 but less than $8 million in 1985), the budget proposal includes a request that funds remain available until expended.

Continuing the 1986 policy, the threshold of eligibility for major disaster assistance is raised to $10,000 or 5 percent of the district's current operating expenditures during the fiscal year preceding the one in which the disaster occurred, whichever is less. Since 1966, the basic law has authorized payments to a district if its expenses from the disaster exceeded its available resources by $1,000 or 0.5 percent of the preceding year's current expenditures. Inflation has made this threshold unrealistically low, thus not warranting the administrative costs required to provide Federal assistance. The proposed threshold has been in effect, through appropriations language, since fiscal year 1981.

Impact Aid

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3. Construction
(Public Law 81-815, as amended)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$17,500,000	$16,747,000	$5,000,000	-$11,747,000

Purpose and Method of Operation

To help compensate school districts for the cost of educating children when enrollment and the availability of revenues from local sources have been adversely affected by Federal activities, Public Law 81-815, as amended, authorizes direct grants for the construction and repair of urgently needed minimum school facilities. Specifically:

- Section 5 authorizes assistance for school construction in areas experiencing an increase in Federal activity either directly or through a contractor. Eligibility is determined by the increase in the number of children residing on Federal property and/or with a parent employed on Federal property.

- Section 8 authorizes the use of a portion of the program's appropriation as supplementary funding to a district that cannot finance the non-Federal portion of the project or to a district whose grant under this program has been affected by a natural disaster.

- Section 9 authorizes construction assistance to school districts experiencing a temporary Federal impact, either directly or through a contractor.

- Section 10 directs the Secretary to make arrangements for constructing or otherwise providing school facilities for children who reside on Federal property where legal or other reasons prevent the local educational agency from spending State or local funds on the education of federally connected children.

- Sections 14(a) and 14(b) authorize grants to local educational agencies that are comprised mainly of Indian lands or which provide a free public education to children who reside on Indian lands. Section 14(c) authorizes construction assistance to school districts that are comprised mainly of Federal lands and which have a substantial number of inadequately housed pupils.

Purpose and Method of Operation -- continued

- Section 16 authorizes assistance to local educational agencies in areas suffering major and pinpoint disasters. (See preceding narrative for the Disaster Assistance activity.)

Until 1967, appropriations were sufficient to meet all demands under Public Law 81-815. In recent years, Sections 10, 14(a) and 14(b), and 5 and 14(c) have been funded at levels specified by the Administration and the Congress. If the funds appropriated are not earmarked for specific activities and appropriations are insufficient to fund all eligible projects, the basic law establishes the funding order: disaster assistance under Section 16 is provided first; then funds are provided for Sections 9, 10, 14(a), and 14(b) in proportion to the total estimated requirements in each section; then Sections 5, 8 and 14(c) are funded.

Within each section, priority rankings intended to reflect relative urgency of need have been established to ensure a systematic distribution of funds among applicants when appropriations are insufficient to fund all applications. Highest priority applicants are funded first and priority rankings are reordered periodically as new applications are filed. Thus, a particular project's ranking may change several times before it is funded.

Funds appropriated for this program remain available until expended.

Accomplishments

A total of $1.8 billion has been appropriated by the Congress for constructing school facilities under Public Law 81-815 from the time of its enactment in 1950 through September 1985, excluding funds transferred to the Department of Education from U.S. Army and Navy construction programs, the Atomic Energy Commission, the Army Safeguard program, and the Economic Development program for construction in special areas. In addition, since 1982, the Department of Defense has provided over $85 million for school construction under Section 10.

From 1951 through 1985, Federal assistance has been provided to local educational agencies and to other Federal agencies for the construction of almost 7,000 projects.

1987 Budget Proposal

Construction funds are requested for 1987 only for awards under Sections 14(a) and (b). For this activity, the request is $5 million. This is $2.2 million less than the amount for Sections 14(a) and (b) for 1986 after sequestering, and $11.7 million less than the 1986 amount after sequestering for all construction activities.

3. Construction

1987 Budget Proposal -- Continued

Local educational agencies that serve Indian children and are eligible under Sections 14(a) or (b) appear to have the greatest need for new or additional facilities and the least funds available from other sources. Construction projects that would be assisted under Sections 5 and 14(c) will have to be postponed until the Federal deficit is under control. Grants under these sections are generally for a small proportion of the total cost of the projects. Applicants may be able to find funds from other sources enabling them to complete their projects without Federal funds.

Since 1984, funds for school construction under Section 10 have been made available through the Department of Defense as well as through the Department of Education. The DOD budget proposal for 1987 anticipates $20 million in new obligations for Section 10 activities.

Impact data	1985	1986	1987
Continuations	78	89	85
New awards:			
Sections 5 and 14(c)	2	1- 2	---
Section 10 1/	19	8-10	---
Sections 14(a) and (b)	---	1- 2	1-2
Total new awards	21	10-14	1-2

1/ Impact data are only for Department of Education funds.

Impact Aid

Maintenance and Operations - Section 3, Public Law 81-874

State or Outlying Area	1985	1986	1987
TOTAL	$643,000,000	$615,351,000 1/	$513,000,000
Alabama	5,277,468	6,378,110	1,702,234
Alaska	68,172,456	66,254,085	71,077,131
Arizona	32,702,632	33,137,326	35,091,258
Arkansas	2,047,671	2,497,351	2,136,953
California	53,939,521	63,014,600	55,543,403
Colorado	7,040,136	8,582,719	6,652,951
Connecticut	6,507,083	6,530,334	5,251,081
Delaware	75,896	133,602	---
Florida	9,482,953	13,856,773	9,211,297
Georgia	5,592,006	7,372,364	2,760,836
Hawaii	9,105,720	15,014,400	13,053,225
Idaho	3,985,305	4,509,112	3,678,922
Illinois	10,465,094	11,201,158	9,092,803
Indiana	1,811,170	2,089,335	1,520,240
Iowa	215,102	316,891	234,483
Kansas	7,881,100	8,014,244	7,676,249
Kentucky	1,052,597	1,330,332	51,433
Louisiana	7,126,609	7,626,169	5,034,225
Maine	3,733,587	3,841,400	3,646,214
Maryland	6,970,480	11,275,110	7,370,843
Massachusetts	10,400,596	11,311,811	5,337,486
Michigan	6,570,876	7,042,583	6,413,390
Minnesota	3,774,510	4,429,616	4,321,184
Mississippi	3,130,734	3,514,060	2,653,516
Missouri	6,123,326	6,270,513	5,672,950
Montana	21,998,663	21,735,163	23,040,048
Nebraska	9,941,839	9,754,052	8,732,381
Nevada	2,738,341	4,019,672	3,184,601
New Hampshire	2,099,281	2,055,751	1,947,282
New Jersey	11,120,558	11,494,614	9,502,653
New Mexico	33,283,655	34,273,634	35,721,657
New York	11,707,858	18,012,928	7,968,524
North Carolina	6,689,021	8,398,490	4,024,087
North Dakota	8,666,084	8,406,422	8,371,428
Ohio	3,751,749	4,631,629	2,386,942

Impact Aid

Maintenance and Operations - Section 3, Public Law 81-874

State or Outlying Area	1985	1986	1987
Total	$643,000,000	$615,351,000 1/	$513,000,000
Oklahoma	19,102,354	22,977,216	21,361,492
Oregon	2,890,069	3,304,162	2,723,132
Pennsylvania	2,948,718	4,468,548	1,319,994
Rhode Island	2,306,155	2,562,534	2,096,258
South Carolina	4,699,430	6,901,671	5,545,603
South Dakota	18,955,020	18,367,057	19,624,099
Tennessee	2,877,389	3,714,256	741,901
Texas	23,690,526	27,110,454	20,604,769
Utah	7,589,041	8,329,723	4,669,759
Vermont	8,388	14,765	---
Virginia	28,882,692	34,334,564	18,865,708
Washington	22,159,865	23,715,025	20,025,233
West Virginia	112,652	193,652	51,261
Wisconsin	4,393,837	4,943,453	4,822,903
Wyoming	7,082,924	7,294,778	7,043,883
District of Columbia	3,580,051	3,874,016	1,012,552
Guam	1,938,589	2,720,342	2,416,667
Puerto Rico	834,327	1,468,682	---
Virgin Islands	707,215	681,247	10,879
Undistributed	103,059,080	10,048,500	10,000,000

1/ Reflects a reduction of $27,649,000 for Section 3 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

WEDNESDAY, APRIL 9, 1986.

BILINGUAL EDUCATION

WITNESSES

CAROL PENDAS WHITTEN, DIRECTOR, OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS

ANNA MARIA FARIAS, DEPUTY DIRECTOR, OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION

LAWRENCE L. BROWN, III, DIRECTOR, DIVISION OF ELEMENTARY, SECONDARY AND VOCATIONAL ANALYSIS, OFFICE OF PLANNING, BUDGET AND EVALUATION

EDWARD J. FUENTES, DIRECTOR, RESEARCH AND EVALUATION STAFF, OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS

Mr. NATCHER. At this time, we take up the budget request for fiscal year 1987 for Bilingual Education. We have before the committee Mrs. Carol Whitten, Director, Office of Bilingual Education and Minority Languages Affairs.

It is always a pleasure to have you before the committee. You have been here before, and we are glad to have you back. You are in a fine family of people, and I say that to you frankly.

The chairman of our full committee, Jamie Whitten, is one of the ablest members of the House. When we mark our bill up and take it to the Floor, he sits there with us all the time. It really helps us.

Tell us who you have with you at the table.

Ms. WHITTEN. I would like to add that while both sides of the table don't always agree, on that we always agree. With me, to my left, is the Deputy Director of Bilingual Education, Anna Maria Farias, and also Dr. Edward J. Fuentes, Director of the Research and Evaluation Staff.

On my left is Sally Christensen, Director, Budget Service; and Lawrence Brown, Director, Division of Elementary, Secondary, and Vocational Analysis, Office of Planning, Budget and Evaluation.

Mr. NATCHER. We are glad to have all of you before the committee, and we will be pleased to hear from you.

OPENING STATEMENT

Ms. WHITTEN. I have a full statement for the record, Mr. Chairman, and I will summarize.

Mr. NATCHER. All right, you may proceed.

Ms. WHITTEN. Mr. Chairman and members of the committee, I am pleased to appear before the committee today to testify on the fiscal year 1987 budget requests for Bilingual Education and Immigrant Education.

The budget request for Bilingual Education demonstrates the Department's strong commitment to ensuring that limited English-proficient children are provided the special instructional services they need to prepare them to participate fully in our society.

Even though the Department's overall budget for 1987 has been reduced by 14 percent to meet the Gramm-Rudman-Hollings deficit reduction requirements, the request for Bilingual Education is $143 million, the same as the 1986 appropriation and $6 million more than the level after the sequester.

In keeping with Secretary Bennett's Bilingual Initiative, the top priority for the Bilingual Education program in 1987 is increasing the discretion of schools to design programs to respond to the needs of local children.

Legislation was recently transmitted to the Congress to remove the 4 percent cap on funding for Special Alternative Instructional Programs and the requirement that 75 percent of funds available for Part A Bilingual Programs, be spent for Transitional Bilingual Education projects.

This will allow the Department to consider applications on the basis of quality and need without regard to the specific instructional method proposed. Appropriation language is also proposed to accomplish this goal.

In 1987, the Bilingual Education account will include only those activities authorized by the Bilingual Education Act. The Bilingual Vocational Training program, authorized by the Carl D. Perkins Vocational Education Act, is presented under the Vocational and Adult Education account, along with the other programs administered by the Office of Vocational and Adult Education.

No funds are requested for the Bilingual Vocational Training program in 1987. Likewise, no funds are requested for Immigrant Education, which is displayed as a separate account. We believe that immigrant children who need special services can receive them under other Department programs such as Chapter 1, Chapter 2 and the Bilingual Education program. We are requesting a rescission of all 1986 funds for Immigrant Education.

For Part A, Basic Grants to LEAs, $99.3 is requested. This is $4.3 million more than the 1986 appropriation, and $8.4 million more than the 1986 level after the sequester. This request reflects the Department's belief that among the different activities authorized by the Bilingual Education Act, services for students should be the top priority. Funding for new projects would be primarily for Transitional Bilingual Education and Special Alternative Instructional Programs.

Under Part B, Support Services, $10.1 million is requested, $500,000 less than the 1986 appropriation, and $51,000 less than the post-sequester level.

Under Part C, Training Grants, $33.6 million is requested, the same level as the 1986 appropriation. In 1987, funding for this program would be increased by $1.7 million from the sequester level, reflecting the Department's priority to train classroom teachers.

I am confident that our 1987 budget policy, administrative changes, the proposed legislation, and our new regulations, which together comprise the Bilingual Initiative, will significantly improve educational opportunities for children who come from families where a language other than English is spoken, and who are limited in their English language proficiency.

Let me say once again that the Department does not favor any one instructional method in serving these students. Research and evaluation evidence clearly shows that, under different circumstances, a variety of instructional methods can be effective. We strongly believe that the choice of instructional method should be left to parents and local schools.

My colleagues and I would be happy to respond to any questions you have regarding our 1987 budget request for Bilingual Education or for Immigrant Education.

[The statement of Ms. Whitten follows:]

DEPARTMENT OF EDUCATION

Statement by the Director

Office of Bilingual Education and Minority Languages Affairs

on

Bilingual Education

Mr. Chairman and Members of the Committee:

I am pleased to appear before the Committee today to testify on the fiscal year 1987 budget requests for Bilingual Education and Immigrant Education.

The budget request for Bilingual Education demonstrates the Department's strong commitment to ensuring that limited English proficient children are provided the special instructional services they need to prepare them to participate fully in our society. Even though the Department's overall budget for 1987 has been reduced by 14 percent to meet the Gramm-Rudman-Hollings deficit reduction requirements, the request for Bilingual Education is $143 million, the same as the 1986 appropriation and $6 million more than the level after the sequester.

In keeping with Secretary Bennett's Bilingual Initiative, the top priority for the Bilingual Education program in 1987 is increasing the discretion of schools to design programs to respond to the needs of local children. Legislation was recently transmitted to the Congress to remove the 4 percent cap on funding for Special Alternative Instructional Programs and the requirement that 75 percent of funds available for Part A, Bilingual Programs, be spent for Transitional Bilingual Education projects. This will allow the Department to consider applications on the basis of quality and need without regard to the specific instructional method proposed. Appropriation language is also proposed to accomplish this goal. I believe that this policy will result in improved services for these children since parents, teachers, and local school officials are in a far better position than the Federal Government to select the appropriate instructional method.

In 1987 the Bilingual Education account will include only those activities authorized by the Bilingual Education Act. The Bilingual Vocational Training program, authorized by the Carl D. Perkins Vocational Education Act, is presented under the Vocational and Adult Education account along with the other programs administered by the Office of Vocational and Adult Education. No funds are requested for the Bilingual Vocational Training program in 1987. No funds are requested for Immigrant Education, which is displayed as a separate account. We believe that immigrant children who need special services can receive them under other Department programs such as Chapter 1, Chapter 2, and the Bilingual Education program. We are requesting a rescission of all 1986 funds for Immigrant Education.

Bilingual Programs

For Part A, Bilingual Programs, $99.3 million is requested. This is $4.3 million more than the 1986 appropriation and $8.4 million more than the 1986 level after the sequester. This request reflects the Department's belief that among the different activities authorized by the Bilingual Education Act, services for students should be the top priority. The increase for Part A will provide funding for an additional 55 projects serving 18,325 more students than in 1986. Since the authorizing statute requires that 25 percent of the Bilingual Education Act appropriation be used for Part C, Training Grants, point of order language is proposed to allow the increase in funding to go exclusively to Part A.

Of the seven Part A activities, four -- Developmental Bilingual programs, Family English Literacy, Special Populations, and Instructional Materials -- would be funded at their 1986 appropriation levels. Funding for the Academic Excellence program would decrease from $6.3 million to $5 million, reflecting the change in program priorities from operating service programs to the dissemination of successful models. As for Transitional Bilingual Education and Special Alternative Instructional programs, funding for new projects would be shared between the two activities. Applicants would be selected on the basis of quality and need, without regard to the instructional method proposed.

Support Services

Under Part B, Support Services, $10.1 million is requested, $500,000 less than the 1986 appropriation, and $51,000 less that the post-sequester level. At this level, $5 million would be distributed to State educational agencies for a variety of data collection and technical assistance activities; $600,000 would be used for the two Evaluation Assistance Centers, which help improve the quality of local project evaluations; $3.5 million would be for Studies and Evaluations; and $1 million would be for the National Clearinghouse for Bilingual Education.

Training Grants

Under Part C, Training Grants, $33.6 million is requested, the same level as the 1986 appropriation. The Educational Personnel Training Program was the only training activity reduced by the 1986 sequester. In 1987, funding for this program would be increased by $1.7 million from the sequester level, reflecting the Department's priority to train classroom teachers. Funding for the Fellowship program, which provides assistance to graduate students studying for a master's degree or doctorate, would be decreased by $240,000 since few of the fellows complete their degrees and actually provide classroom instruction. Other training activities would be funded at the 1986 appropriation levels.

Regulations

Final regulations implementing the provisions of the Educational Amendments of 1984 will be published within a few weeks. The major objectives of these regulations are to:

1) Inform local educational agencies that the Bilingual Education Act gives them substantial discretion to determine the extent of native language use in transitional bilingual education projects;

2) Expand parental involvement in the educational decisions affecting their children;

3) Increase emphasis on building local capacity to operate programs of instruction for limited English proficient persons; and

4) Ensure that limited English proficient children become proficient in English as quickly as possible so that they can participate effectively in the regular educational program.

I am confident that our 1987 budget policy, the proposed legislation, and the regulatory changes, which together comprise the Bilingual Initiative will significantly improve educational opportunities for children who come from families where a language other than English is spoken and who are limited in their English language proficiency. Let me say once again that the Department does not favor any one instructional method in serving these students. Research and evaluation evidence clearly shows that, under different circumstances, a variety of instructional methods can be effective. We strongly believe that the choice of instructional method should be left to parents and local schools.

My colleagues and I would be happy to respond to any questions you have regarding our 1987 budget request for Bilingual Education or for Immigrant Education.

DEPARTMENT OF EDUCATION

Office of Bilingual Education and Minority Languages Affairs

Biographical Sketch

NAME : Carol Pendas Whitten

POSITION : Director, Office of Bilingual Education and Minority Languages Affairs

BIRTHPLACE AND DATE : New York City, N.Y., December 4, 1945

EDUCATION : Barry College, Miami Shores, Florida, 1967, B.S.
Barry College, Miami Shores, Florida, 1971, M.S.

EXPERIENCE :

1985 - Present: Director, OBEMLA

1984 - 1985 : Congressional Liaison Officer, Office of Legislative Affairs, U.S. Department of Labor

1983 - 1984 : Special Assistant to the Deputy Under Secretary for Management, U.S. Department of Education

1982 - 1983 : Executive Assistant to the Acting Director, National Institute of Education, U.S. Department of Education

1980 - 1981 : Education Program Specialist, Women's Educational Equity Act Program, U.S. Department of Education

1976 - 1978 : Girls counselor, advanced Spanish teacher, Palmer Preparatory School, Miami, Florida

1971 - 1976 : Director of guidance, guidance counselor, chairman of home economics department, Immaculata-LaSalle High School, Miami, Florida

1969 - 1971 : Chairman of home economics department, advanced Spanish teacher, Madonna Academy, Hollywood, Florida

1967 - 1969 : Teacher of home economics and American history, Notre Dame Academy, Miami, Florida

LANGUAGES : Spanish (native, Cuban-American) and French

NEW REGULATIONS

Mr. NATCHER. Thank you, Ms. Whitten. Your budget refers to new regulations issued in November 1985. When will the regulations go into effect?

Ms. WHITTEN. We anticipate them going into effect some time this summer. We are currently working on the regulations, and will have them out soon in final form.

Mr. NATCHER. What reaction have you received about the new regulations?

Ms. WHITTEN. A lot of interest, over 500 letters, and they were mixed. I would also like to add that lots of the letters in opposition were based on misinformation and the belief that we were either going to gut the program, cut the program or were opposed to any specific method of instruction.

Mr. NATCHER. Generally, from the letters you received, were they for or against the changes?

Ms. WHITTEN. They are mixed.

Mr. NATCHER. You wouldn't say 50-50?

Ms. WHITTEN. Well, when we produce the regulations, we are going to produce an analysis, but they were quite mixed.

LEGISLATIVE PROPOSAL

Mr. NATCHER. What is the status of your proposed legislation to amend the Bilingual Education Act?

Ms. WHITTEN. Legislation was introduced in the Senate before they adjourned, and it will be introduced in the House shortly.

Mr. NATCHER. If this legislation is enacted, how much of an increase do you think would occur in funding for Alternative Instructional programs?

Ms. WHITTEN. Sir, we cannot tell, because the heart of the issue is that by doing this, school districts would apply for whatever meets their needs. We cannot predict where the need will be.

However, I would like to say, regarding the Special Instructional Alternative programs, of the 103 applications we received, we funded 35; and of those 35 funded, only four of those were for an English-only approach. That is something many people thought there would be many of.

Mr. NATCHER. Generally, what criteria would the Department use to ensure that each school district applying for a new grant has chosen the instructional method most appropriate for meeting the needs of limited English-speaking students?

Ms. WHITTEN. Sir, the statute and regulations establish selection criteria. Schools must show how they will meet the needs of the students, while ensuring that students meet graduation and promotion requirements, and learn English quickly.

Once they have done that, they must set forth a plan to assume the capacity of the program. This program is a seed money program. Schools must demonstrate that they can develop the capacity to operate the program.

Field readers will evaluate the proposals and see if the plans proposed are realistic in meeting all these priorities.

DURATION OF GRANTS

Mr. NATCHER. Do you believe that Federal grants should be limited to one or two years in the Bilingual Education program?

Ms. WHITTEN. The program currently provides three-year capacity building grants. Under certain circumstances, schools may receive an additional two years. The original idea of the three years was quite good.

We have seen many programs. The Deputy Director and I have been to a total of 55 different schools, and we have seen many, many different programs, and I would say that three years is a realistic goal for a capacity building grant.

DIFFERENT METHODS

Mr. NATCHER. Based on your research and evaluation, is any one method more effective than others in meeting the needs of limited English-speaking students?

Ms. WHITTEN. Unfortunately, even after 17 years, and $1.7 billion, the best quote on research is "it is full of disparate findings, and inconclusive results." Different methods work for different students, and what meets the needs for one district may not for others, and surveys seem to bear this out.

Dr. Fuentes.

Mr. FUENTES. Primarily, the difficulty has been that there hasn't been many comparison groups. You can't go into a district and not provide services. There hasn't been any direct comparisons of different methods within a single program, so it is very difficult to ascertain which is the preferred program.

And there is no one best method. The best method is tailored to meet the needs of the children.

Ms. WHITTEN. Furthermore, this is the only program in the Department of Education that mandates a method of instruction. When the Department was created, we were forbidden from mandating curricula. The heart of the Bilingual Education debate is who should determine curricula, the Federal Government or the local school districts in consultation with the parents.

Mr. NATCHER. Generally, what guidance does the Department provide to local school districts in selecting an appropriate instructional method?

Ms. WHITTEN. Hopefully, we are getting better at that. We will be submitting results of what works under different circumstances. School districts are in a better position to determine what meets their needs.

Mr. NATCHER. How many different methods are there for teaching limited English-speaking students?

Ms. WHITTEN. Commonly, we either talk about bilingual education; English as a second language; immersion, not sink or swim, but immersion. Many other methods have been developed because of the need at the local level.

The High Intensity Language Training method uses the sheltered English approach to teach content area. Language is at the level the child can understand while teaching them the same curriculum. There is also the Bilingual Language Separation approach, so you see there are many different approaches, and they have come about because of the need at the local level to solve their problems.

OTHER FEDERAL SUPPORT

Mr. NATCHER. What other Federal programs are being used to support bilingual education?

Ms. WHITTEN. The Federal Government in 1985 provided at least $685 million to meet the needs of language minority students, through Bilingual Education, Chapter 1, Migrant Education, Adult Education, Bilingual Vocational Training Immigrant Education, and programs in other Departments.

However, bilingual education is the only one that mandates a method of instruction.

Mr. NATCHER. In the record, if you will please, place a list of such programs and show the estimated funding for each.

Ms. WHITTEN. Be glad to, sir.

[The information follows:]

Federal funding for limited English proficient students, fiscal year 1985

	Millions
Department of Education:	
Bilingual Education Act	$139
Chapter 1—Grants to LEAs	384
Chapter 1—Migrant education	68
Adult education	27
Bilingual vocational training	4
Title IV, Civil Rights Act	7
Immigrant education	30
Subtotal, Department of Education	659
Department of Interior: Bureau of Indian Affairs	4
Department of Health and Human Services:	
Refugee education	17
Entrant program	5
Subtotal, Health and Human Services	22
Total	685

UNSERVED STUDENTS

Mr. NATCHER. What data do you have showing the number of limited English-speaking children that are not receiving bilingual education?

Ms. WHITTEN. A study conducted in 1984 showed that 94 percent of students identified by school districts as limited English participant were receiving some type of special instructional services.

REPORT

Mr. NATCHER. The Education Amendments of 1984 require a report from the Secretary on the Condition of Bilingual Education in the Nation. The first report was due February 1, 1986. What is the status of this report?

Ms. WHITTEN. I believe it was delivered yesterday.

Mr. NATCHER. Delivered yesterday. All right, that is good.

TRAINING GRANTS

Under bilingual training grants, what are your current projections of the number of students who will need special language instruction over the next five years?

Can you give us some idea as to the projected number of students?

Mr. **Brown**. I want to defer to Mr. Fuentes, if he has a better answer, but I believe that in fact, we don't have good projections on that particular matter. We do know that as a result of our legislative proposals, that there will be a need for teachers with different kinds of skills, a larger variety of skills, and that essentially is reflected in the budget, inasmuch as we have put a large amount into training, about $34 million.

Mr. **Natcher**. Don't we have an increase in students in this category?

Ms. **Whitten**. The immigrant population seems to be younger, and enrollments may be increasing. Immigration data shows there has been a decrease in the influx of refugees, but an increase in other immigrants. We are preparing for this and concentrating our efforts on training classroom teachers as opposed to other programs within the training budget.

We feel it is important to train bilingual teachers that will be in the classroom.

Mr. **Natcher**. How many bilingual education teachers are currently being trained in institutions of higher learning? Can you give us some idea?

Mr. **Brown**. We will supply that for the record.

[The information follows:]

Bilingual Teachers

Approximately 5,500 persons participated in teacher training programs funded in fiscal year 1985 under Part C. The Short Term Training Institutes also provided training for an additional 3,000 parents, teachers, and administrative personnel. In addition, the Multifunctional Resource Centers provided training and technical assistance to bilingual teachers in projects throughout the country.

Recent data are not available on the number of participants or graduates from bilingual teacher training programs which do not receive funding under the Bilingual Education Act. However, since 1975 the Department has funded at least 238 separate teacher training programs at institutions of higher education. The Teacher Language Skills survey also found that between 1977 and 1981, the number of teachers with minimum or more extensive qualifications to use a non-English language increased by 56 percent.

In 1987 the Department intends to fund a new research study which will address the question of teacher supply and demand.

BILINGUAL TEACHERS SUPPORTED BY TRAINING GRANTS

Mr. **Natcher**. What portion of these are supported by Federal Bilingual Education Training Grants. You can place that in the record.

[The information follows:]

Bilingual Training Grants

As noted above, in fiscal year 1985, approximately 8,500 persons participated in bilingual teacher training programs funded by the Department. Of these, 3,000 were parents, teachers and administrative personnel participating in the Short Term

Training Institutes. Additional teaching personnel received training and technical assistance from the Multifunctional Resource Centers.

BILINGUAL TEACHERS SUPPLY AND DEMAND STUDIES

Mr. NATCHER. What recent studies have been made on the supply and demand requirements for new bilingual education teachers?

Ms. WHITTEN. We will have to supply that for the record.

Mr. NATCHER. All right.

[The information follows:]

RECENT STUDIES ON BILINGUAL TEACHERS

The Descriptive Phase report of the ongoing National Longitudinal Evaluation of the Effectiveness of Services for Language Minority, Limited English Proficient Students contains considerable information on the supply of teachers. This study found that there were an estimated 44,296 teachers in public schools in grades K-6 providing services to language minority, limited English proficient students. Schools reported that 60 percent of these teachers had recently received college or in-service training related to teaching these children.

SUPPORT SERVICES

Mr. NATCHER. Under bilingual support services, what is the main purpose of the evaluation assistance centers? And tell us, if you will, how many centers you are funding and where they are located?

Ms. WHITTEN. Those centers were authorized by the new law, and were created to help the local education agencies gather data, and evaulate their program and they will give technical assistance to the agencies to gather their data.

We currently have one center for the East Coast. We held a competition last year for two, but were not pleased with the quality of the proposals for the West Coast. Consequently we canceled that competition, and will be out with an RFP very shortly to ensure a center for the West Coast.

We do have one on the East Coast right now.

Mr. NATCHER. You only have two?

Ms. WHITTEN. Yes, we will have one on the East Coast and one on the West Coast.

Mr. NATCHER. The Education Amendments of 1984 expanded the role of the State education agencies in collecting data on the limited English-speaking population. What types of data are State education agencies collecting?

Ms. WHITTEN. They will be asked to count the number of limited English-proficient students, and assess the services being provided to them.

Mr. NATCHER. Do you think that this data will be of any use to your office?

Ms. WHITTEN. We are getting the first batch of these data this fall, and then we will be able to disseminate it and look at it.

BILINGUAL VOCATIONAL TRAINING

Mr. NATCHER. Why was the bilingual vocational training program transferred from this appropriation account to vocational education?

Mr. Brown. Well, Mr. Chairman, we thought that the activities that were being conducted under that particular program were not dissimilar from the kinds of activities that are also undertaken under normal bilingual education grants.

In addition, to the extent that those activities are directed at adults, they seem to duplicate activities that are conducted under the Adult Education program.

It seemed wise to put the additional money into the LEA grants.

Mr. Natcher. Which office administers this program at the present time?

Mr. Brown. Vocational and Adult Education.

IMMIGRANT EDUCATION

Mr. Natcher. Under Emergency Immigrant Education, what is the current status of allocating the $28,710,000 available for 1986?

Ms. Christensen. We will be ready to make those awards. We are moving along our usual course of operation pending the rescission, and if, in fact, the rescission is not enacted, we will be prepared to move and make those awards in a timely fashion.

Mr. Natcher. We have a rescission request on this?

Ms. Christensen. That is right. In the event Congress does not act on that rescission, we will be prepared to move along in our normal course of operations. I believe it expires, the 15th of April, Mr. Chairman.

Mr. Natcher. List the Federal programs available for Immigrant Education Assistance and show the funds available for each program in 1986. Place that in the record for us.

Ms. Whitten. Yes, sir.

[The information follows:]

Federal Programs for Immigrant Education

The following programs are specifically for Immigrants.

Program	Funding agency	Amount available in 1986 (millions)
1. Transition program for refugee children	Department of Health and Human Services	$15.9
2. Refugee education assistance for Cuban and Haitian entrants.	Department of Health and Human Services	4.8
3. Immigrant education	Department of Education	28.7
Total		49.4

The following Department of Education programs serve immigrant children who are educationally disadvantaged or limited English proficient:

1. Chapter 1, Compensatory Education for the Disadvantaged.
2. Chapter 2, Special Programs.
3. Bilingual Education Act.

Note.—No data are available on the specific number of immigrant children served by these programs.

PROGRAM PURPOSE

Mr. Natcher. Mrs. Whitten, how do you feel in regard to bilingual education at this time?

Ms. WHITTEN. I feel that bilingual education, and this program, represent the proper Federal role. It is the role of the Federal Government to help language minority students learn English and become part of American society.

As a capacity building program, it is also a very responsible way to administer money by giving seed money to local districts, which are the ones that are going to absorb the burden of this program, and by implementing and monitoring that closely, we have a very responsible program.

Mr. NATCHER. The reason I asked that question is because we receive letters from time to time inquiring as to why the Federal Government is in the Bilingual Education business, at all. We know why it is in the budget, and that is why I just asked you the question.

For the record, give us a good strong statement, if you would. I would appreciate it.

[The information follows:]

BILINGUAL EDUCATION

I feel that bilingual education, and this program represent the proper Federal role. That role is to help language minority students learn English and become part of American society. As stated in the statute, the "Federal Government has an obligation to assist language minority students to acquire the English language proficiency that will enable them to become full and productive members of society." Local education agencies, however, have the primary responsibility for providing these services and the Federal program assists schools in building the capacity to carry out this responsibility. The changes recently proposed by the Secretary would make a significant contribution to realizing the purpose of the Bilingual Education Act.

A capacity building program is a very responsible way to administer money by giving seed money to local districts, which subsequently shoulder the burden of operating these programs on a continuing basis. Through careful implementation and monitoring we have a responsible program.

I believe that the primary purpose of the statute is to teach English and prepare students to transfer to regular English language classrooms as soon as possible. Projects should, however, also provide appropriate instruction to enable students to meet grade promotion and graduation requirements.

However, no one instructional method is effective under all cicumstances and local school personnel and parents are the ones in the best position to select the appropriate method. We do not mandate a specific instructional method in any other program in the Department and Bilingual Education should not be the exception to this rule. Ideally, schools should compete for funding on the basis of the quality of their proposal, without regard to instructional method. Proposals would be ranked by outside readers on the basis of how well the instructional method meets the educational needs of limited English proficient children in the district.

Mr. NATCHER. Mrs. Whitten, we want to thank you and your associates for appearing before our committee at this time in behalf of your budget request for the fiscal year 1987. This has been a good hearing. We appreciate it.

We can assure you this: We will carefully consider all of your requests.

The committee will be adjourned until tomorrow morning at 10 a.m.

[The following questions were submitted to be answered for the record:]

FEDERAL ROLE

Mr. Roybal: In your view, what is the nature of the special and continuing obligation that the Federal Government has to assist in providing equal educational opportunity to limited English proficient children?

Mrs. Whitten: I strongly agree with the congressional finding which appears in the Bilingual Education Act, that the "Federal Government has an obligation to assist language minority students to acquire the English language proficiency that will enable them to become full and productive members of society." I believe that the primary purpose of the statute is to teach English and prepare students to transfer to regular English language classrooms as soon as possible. Projects should, however, also provide appropriate instruction to enable students to meet grade promotion and graduation requirements. Local educational agencies have the primary responsibility for providing these services and the appropriate Federal role is to assist schools in building their capacity to carry out their responsibility. I believe that the legislative change recently proposed by the Secretary and the requirements in our new regulations will greatly facilitate our success in realizing the purpose of the Bilingual Education Act.

Mr. Roybal: Do you think the Congress was wrong in affirming and restating the existence of that obligation when it reauthorized Title VII?

Mrs. Whitten: No. I agree with the description of the Federal role which appears in the new statute.

FUNDING CAP

Mr. Roybal: In view of your admission of the lack of evidence on title VII programs, what research and evaluation evidence did you rely on that justifies the language change you proposed last year and propose again this year to override the 4% cap on alternative instructional approaches contained in the Bilingual Education Act?

Mrs. Whitten: In the absence of any evidence that transitional bilingual education is superior to other instructional methods, the Department believes that it is inappropriate for the Federal Government to promote any particular method. I believe that parents, teachers and school officials are in the best position to choose the appropriate instructional approach for local children.

Mr. Roybal: In other words, if you know so little about programs the Federal Government has been funding for seventeen years, how is it that you can feel confident about the superiority of experimental programs the Department has just begun funding?

Mrs. Whitten: The Department does not favor any particular approach and does not believe that alternative programs are superior. The purpose of our legislation is to allow local schools to choose the appropriate method.

SUMMARY OF DEPARTMENT FUNDED STUDIES

Mr. Roybal: What is the status of the Education and Labor Committee Chairman's request on the results of over sixty Bilingual Education studies funded by the Department? Can you provide a similar summary of those studies for this committee?

Mrs. Whitten: A summary of the studies funded by the Department on bilingual education was provided to the Education and Labor Committee in early April. A summary of these studies is being provided to the appropriations subcommittee as requested.

NATIONAL CLEARINGHOUSE ON BILINGUAL EDUCATION

Mr. Roybal: When was the Clearinghouse last evaluated and what were the findings of this evaluation?

Mrs. Whitten: The Clearinghouse was last evaluated in 1983. That evaluation concluded that the Clearinghouse was "implementing the tasks and delivering the services required by its contract." Furthermore, the Clearinghouse is well known and its products and services are thought to be of good quality. Nonetheless, its costs are high compared to other comparable centers. The 1983 evaluation also documented considerable overlap with NIE's ERIC system.

Mr. Roybal: Why was a contract for the Clearinghouse not competed before the expiration of the 1980 Clearinghouse contract?

Mrs. Whitten: The expiration of the 1980 National Clearinghouse for Bilingual Education (NCBE) contract came at a time of change at OBEMLA. A new Director and Deputy Director had just been appointed as well as other key staff. In order to make the best decision regarding a Clearinghouse competition, it was necessary to weigh all options. These included determining whether the Clearinghouse competition should be restricted to 8A firms or open to all bidders. Another option considered was whether the Clearinghouse should be subsumed under the ERIC system or should remain a separate entity. Careful decisions take time, so the Clearinghouse was extended for six months in order to consider all the options and to produce an RFP that would result in a Clearinghouse that would be most beneficial to those who serve the limited English proficient community.

Mr. Roybal: Why was the Clearinghouse competition not completed before the expiration of the 6-month sole-source extension on March 31, 1986?

Mrs. Whitten: The plan was, of course, to complete the NCBE competition and make an award before the expiration of the six-month contract. The NCBE competition was to close on February 28, 1986. However, during the competition many inquiries were made by offerors regarding the RFP that required clarification. Moreover, required information regarding the incumbent's data base was made available as a contract deliverable late in the contract period. In the interest of fairness, sections of the RFP were further clarified and additional information was made available to all offerors. In order to allow offerors the opportunity to review this additional information, and, if necessary, revise their proposals, the deadline for proposal submission was extended.

Mr. Roybal: Given that a major reason for the 6-month sole-source extension was continuity of service, how does OBEMLA justify the 3-month interim contract given to an inexperienced first-time contractor?

Mrs. Whitten: There was no break in service under the interim contract. All basic services remain in place. These include: a toll-free hot line, reference and referral service, Clearinghouse conducted data base searches, hardcopy of Clearinghouse documents, and maintenance of the Clearinghouse's data base through a publicly accessible data service.

Mr. Roybal: How does OBEMLA expect the interim contractor to maintain continuity of service with a reduced staffing level of 4 people, compared to the Clearinghouse's complement under the original contract of close to 40 person years?

Mrs. Whitten: The six-month sole source contract under which the previous Clearinghouse contractor provided all services was for 9.75 professional person years not 40. Moreoever, the interim contractor is performing fewer functions than were called for under the previous contract. For example, there are no publication functions, no editorial functions, no abstracting of documents for inclusion in the data base, etc. The interim contractor is to maintain but not expand the current data base and provide basic services to the field as previously enumerated. Four professional person years over a three-month period is sufficient for these activities.

Mr. Roybal: How does OBEMLA plan to use the $1.4 million available for the Clearinghouse, in following the recommendation of this Committee?

Mrs. Whitten: OBEMLA will fund a Clearinghouse that will provide full information service to practitioners who deal with LEP children. Outreach programs to practitioners will be improved as well as coordination with other OBEMLA sponsored centers that serve the bilingual community.

Mr. Roybal: When will the Clearinghouse competition be completed?

Mrs. Whitten: The deadline for submission of proposals for the Clearinghouse was April 7. Proposal review has begun and OBEMLA anticipates making an award in early June.

Mr. Roybal: Will the current RFP and competition process and planned funding cut of $435,000 enable a scope of work, level of effort, and quality of service equivalent to that operated by the Clearinghouse under the 1980 contract?

Mrs. Whitten: OBEMLA anticipates funding a NCBE that will better meet the needs of its intended users than the Clearinghouse funded in 1980. The current competition requires services and activities that more clearly focus on the practitioner, eliminates redundancy with the ERIC system, and takes advantage of the latest advances in technology.

Mr. Roybal: How did the Clearinghouse operate as a full service Clearinghouse under the 1980 contract?

Mrs. Whitten: The NCBE provided: the collection of documents, abstracting of documents for inclusion in the data base, reference and referral service, a toll-free hot line, data base searches (for a fee), hard copy of documents (for a fee), publication of a newsletter, publication of occassional papers, publication of other information documents, and maintenance of a publicly accessible data base (for a fee) through a subcontract with BRS Information Technologies, Inc.

Mr. Roybal: How does this differ from the ERIC system?

Mrs. Whitten: The operation of the NCBE differed little from ERIC. One of the criticisms of the Clearinghouse was that its data base entries were unnecessarily duplicative of ERIC and, thus inefficient. Moreover, many of its publications and data base entries were not targeted to the practitioner.

Mr. Roybal: How would it differ under the current RFP?

Mrs. Whitten: The current RFP calls for a system that eliminates all unnecessary duplication of ERIC, targets its acquisitions and services to the practitioner, minimizes cost to the practitioner by providing without cost both NCBE searches and access to their data base for user-conducted searches.

Mr. Roybal: How does the Clearinghouse compare with ERIC in terms of the numbers of inquiries handled annually and the number of classroom teachers and other practitioners served annually?

Mrs. Whitten: ERIC serves many more users than does the NCBE. However, it is difficult to compare the NCBE with ERIC since ERIC is a conglomeration of 16 clearinghouses, not a single entity. A 1984 report by Policy Studies Associates did compare the NCBE with other ERIC clearinghouses of roughly similar funding levels. On the basis of funding, the NCBE would be classified as a "large" clearinghouse. The report concludes that the NCBE, "falls below the average of the large clearinghouses on each measure--size of staff, size of collection, number of items processed a year, number of requests a year, and size of mailing list. On three of the five measures, NCBE more closely resembles a medium sized clearinghouse; (i.e, $250,000 to $750,000 a year) than a large clearinghouse; these are the measures of size of collection, number of items processed a year, and number of requests a year."

Mr. Roybal: Describe the elimination of overlap with NIE's ERIC system, and other efficiency measures that OBEMLA is planning to undertake with regard to the Clearinghouse.

Mrs. Whitten: The RFP for the NCBE targets Clearinghouse efforts on practitioners and directs offerors to propose methods for screening documents that are sutiable for practitioner use. ERIC's audience is composed primarily of academics, policy makers, and researchers. By focusing the effort, a more efficient enterprise can be realized. Moreover, some documents that are suitable for practitioners are routinely included in the ERIC system. NCBE users can be referred to ERIC if they request a document that is in the ERIC system.

The RFP for the NCBE directs offerors to propose creative and innovative methods that take advantage of the latest technological advances. The assumption is that hardware and software development over the last several years makes provision of services to Clearinghouse clientele much more cost-effective than in the past.

Mr. Roybal: Provide any documents the Clearinghouse itself has prepared on the overlap and a copy of relevant portions of the September 1981 study funded by HHS on human services information clearinghouses, which deal with overlap and duplication among government-sponsored information services.

Mrs. Whitten: These documents will be provided to the Committee.

Mr. Roybal: If OBEMLA did take such measures, what are the projected costs and savings, and what would be the effect on the accessibility of information to teachers and other education practitioners?

Mrs. Whitten: The Department estimates that approximately $500,000 can be saved at the same time that services to practitioners are improved. The RFP for the NCBE emphasizes outreach to practitioners to make them aware of Clearinghouse services and capabilities. Services and publications will be targeted to practitioners, accessibility to the data base will be increased, and the cost of doing business with the NCBE for the practitioner will be significantly reduced. These steps will lead to a higher level of use for that audience that most affects LEP children.

TITLE VII PROGRAMS

Mr. Roybal: How many children have been served by Title VII since fiscal year 1980?

Mrs. Whitten: The Department does not have data on the number of different children served by the Title VII program since 1980. Some children participate for one year, others for five years. However, we estimate that an average of 230,000 children have been served each year since 1980. Consequently the program has provided a total of 1,380,000 service years during the period 1980-1985.

Mr. Roybal: What is the average per pupil expenditure, and how does it compare to that for Chapter I and Chapter II?

Mrs. Whitten: The average per pupil expenditure in the Bilingual Education program is $440. The average for Chapter 1 is $563 and for Chapter 2 the average is between $7 and $9.

Mr. Roybal: How does the Department determine what percentage of children eligible for Title VII services actually receive such services and what is that percentage?

Mrs. Whitten: Since the program is a capacity building program rather than a service program, the Department does not normally attempt to estimate the percentage of the eligible population served by Title VII. However, we believe that in 1986 there are between 1.2 and 1.7 million school age children, age 5-17, who are most likely to benefit from services under the Act. In 1986, the Department expects that projects funded under Part A will serve 197,175 children or roughly 14 percent of the total. A recent study indicates that 94 percent of the 1.4 million children identified by school districts as language minority, limited English proficient are being served by Federal, State, or local programs.

Mr. Roybal: How much faster is the language minority student population expected to grow than the general student population?

Mrs. Whitten: During the period 1978 to 1982, the language minority population, ages 5-14, grew by 18.2 percent while the total population, ages 5-14 declined by 6.2 percent. During this same period the limited English proficient population grew by 10.3 percent.

BILINGUAL EDUCATION REPORT

Mr. Roybal: When does the Secretary intend to submit to Congress the Condition of Bilingual Education report to Congress due February 1, 1986?

Mrs. Whitten: The Report was submitted on April 8, 1986.

LAU AND TITLE VII

Mr. Roybal: How have the modifications in "Lau" plans requested by the Office for Civil Rights affected Title VII programs?

Mrs. Whitten: The Office for Civil Rights informs me that they sent out approximately 500 letters between December 1985 and February 1986 to LEAs that had previously negotiated CRA Title VI "Lau" plans. The notification let them know that the policy had changed from the restrictive one which was the basis of their previous agreements to one which gave them the option to change their program. Less than five LEAs have responded. There has been no indication that this modification in "Lau" plans has effected Title VII programs.

NATIVE AMERICANS

Mr. Roybal: What proportion of Title VII funds are used for Native Americans?

Mrs. Whitten: Approximately 14 percent of Title VII funds are used for Native American projects.

Mr. Roybal: How many languages are involved?

Mrs. Whitten: In 1985, 101 different Native American langauges were included in Title VII projects.

REGULATIONS

Mr. Roybal: When do you propose to issue final regulations for Title VII?

Mrs. Whitten: We plan to issue final regulations early in May 1986.

Mr. Roybal: How will your pending Title VII regulations provide for local school districts to enhance their capacity building?

Mrs. Whitten: The proposed regulations cite four ways of building capacity for local school districts receiving Part A grants. These are:

o The gradual assumption of program costs during the proposed project period;

o The adoption of successful components of the project into the regular educational programs that it conducts for LEP children;

o Follow-up services to children who have achieved proficiency in English; and

o Use of its non-Federal resoures to provide a program on a regular basis, similar to that proposed, that will be of sufficient size, scope, and quality to promise significant improvement in the education of children of limited English proficiency in future years.

Mr. Roybal: How will OBEMLA monitor the progress and results?

Mrs. Whitten: OBEMLA will require grantees to explain in their continuation applications how well they are satisfying these requirements, and fulfilling the terms of their original grant. In addition, OBEMLA staff routinely monitors grantees for performance under terms of the grant.

Mr. Roybal: The proposed regulations are supposed to "clarify" that the purpose of the Bilingual Education program is to ensure that limited English proficient students become proficient in English as quickly as possible. Does that mean that the Department is de-emphasizing the overriding policy declared by the Congress when it reauthorized Title VII in 1984--to establish equal educational opportunity for all children and to promote educational excellence?

Mrs. Whitten: The proposed regulations reflect our conviction that equal educational opportunity and educational excellence will be attained more effectively if students become proficient in English. The emphasis on learning English does not in any way de-emphasize those other goals.

Mr. Roybal: Does OBEMLA dispute that, by definition, limited English proficient children are denied the opportunity to learn successfully in classrooms where the language of instruction is English?

Mrs. Whitten: OBEMLA does not dispute that, by definition, LEP students are denied the opportunity to learn successfully in classrooms where the language of instruction is English. Even though many students have been successful in such a situation, many students have also failed in such a situation. However, this "sink or swim" situation is clearly illegal. LEP students must be provided with educational programs that help them overcome their lack of English-language proficiency.

Mr. Roybal: Will the proposed regulations limit the participation of limited-English-proficient children, youth, or adults?

Mrs. Whitten: The proposed regulations do not limit the participation of LEP children, youth, or adults in programs appropriate for their age-group and language needs.

Mr. Roybal: From the comments received so far on the proposed regulations, does it appear that most Native Americans support them?

Mrs. Whitten: Of the 503 letters that were received commenting on the proposed regulations, 274 were from Native Americans. All but one of these was from a single community, Stilwell, Oklahoma. The Stilwell letters gave the views of 257 parents, 11 students and 5 teachers. These letters were generally not supportive of the proposed regulations.

ALTERNATIVE PROGRAMS

Mr. Roybal: What is the research and evaluation evidence that the Department is using to inform the proposed elimination of the 4% cap on Alternative Instructional programs?

Mrs. Whitten: A variety of summaries of research and evaluation evidence have concluded that there is no evidence of the superiority of any particular method and that different methods are effective under different circumstances. A list of these studies was provided for the record in response to your question to Secretary Bennett at the April 8, 1986, hearing.

TEACHER TRAINING

Mr. Roybal: What is the current supply of teachers qualified to teach under Title VII programs?

Mrs. Whitten: The 1980-81 Teacher Language Skills Survey found that there were 32,000 teachers providing instructional services to language minority, limited English proficient students who had academic preparation to provide such services. Additionally, the same study also found that there were large numbers of teachers with academic preparation in bilingual education or English-as-a-second-language who were not in positions that required these skills. The ongoing National Longitudinal Evaluation of Services for Language Minority, Limited English Proficient Students found that there were 44,296 teachers in grades K-6 in public schools providing services to language minority, limited English proficient students. Sixty percent of these teachers had recently received college or inservice training related to teaching these children.

Mr. Roybal: What have been the accomplishments of Part C training grants since the program began in 1969 and how much has it contributed to the training of classroom teachers and other practitioners?

Mrs. Whitten: Since 1969, at least $465 million has been budgeted for training in the Bilingual Education program. More than 238 different institutions of higher education have received grants to establish, operate or improve training programs for educational personnel.

Mr. Roybal: What are the projected needs for bilingual teachers under Title VII and what are the projected needs for bilingual teachers throughout the country? How does the Department determine those needs?

Mrs. Whitten: The Department estimates that in 1986 there are between 1.2 and 1.7 million language minority, limited English proficient children in the U.S., ages 5-17, who would benefit from services under the Bilingual Education Act. Assuming 20 children per classroom, this suggests that a total of perhaps 72,500 teachers are required to provide services to these students. The findings of the 1980-81 Teacher Language Skills Survey indicate that many of the needed teachers are already trained and providing instructional services.

Mr. Roybal: Is there a shortage of bilingual teachers?

Mrs. Whitten: The Department is aware of a continuing need for trained bilingual teachers in certain areas of the country. We believe that the Federal Government should continue to make a significant investment in teacher training, particularly in inservice training.

Mr. Roybal: Is there a surplus of qualified bilingual teachers that justifies eliminating the requirement that at least 25 percent of the 702(b)(1) appropriation be reserved for Part C Training Grants?

Mrs. Whitten: The Department's 1987 request includes $33.6 million for training. We believe this amount is adequate to address the need for better trained teachers to provide services to language minority, limited English proficient students. The Department does not believe there is a surplus of qualified bilingual teachers. In proposing to override the requirement that 25 percent of the appropriation be spent for training, the Department merely seeks to allocate the 1987 funding increase for Title VII exclusively to Part A. Since the override is proposed in appropriation language, it would be in effect only for 1987.

SUPPORT SERVICES

Mr. Roybal: How much has been expended for State Departments of Education from fiscal years 1980 to 1986, and how has the Department used the data generated by these grants?

Mrs. Whitten: During the period 1980-86, $32,145,000 has been distributed or will be distributed to State education agencies. The data collection requirement went into effect with the 1985 grants. Consequently we have not yet received data pursuant to this new statutory requirement.

Mr. Roybal: What is your role in the allocation of research and evaluation contracts relative to the Office of Planning, Budget and Evaluation (OPBE) and the Office of Educational Research and Improvement (OERI)?

Mrs. Whitten: Contracted research and evaluation studies are being conducted by both OERI and OPBE with the concurrence of the OBEMLA Director. Funding for these studies (either partially or in their entirety) has come out of monies set aside for bilingual research and evaluation.

Mr. Roybal: What is the current status of the division created by the Education Amendments of 1984 which is "exclusively responsible for the collection, aggregation, analysis, and publication of data and information on the operation and effectiveness under this title"?

Mrs. Whitten: The Research and Evaluation staff has been established within OBEMLA to carry out the functions specified in the Education Amendments of 1984. At the present time, there is a Director and five staff members including a secretary.

FEDERAL SUPPORT FOR BILINGUAL EDUCATION

Mr. Early: According to the Department's estimates what portion of bilingual education programs are supported with Federal funds?

Mrs. Whitten: The Department estimates that approximately 14 percent of language minority, limited English proficient children are being served directly through Title VII grants. A recent study found that 94 percent of such children identified by school districts were being served with Federal, local, or State funds.

Mr. Early: Within the past several years, from FY 1981 through the present, has the share of Federal support been diminishing?

Mrs. Whitten: Since 1981, a large number of school districts have developed their capacity to operate these programs and no longer need Federal assistance. In 1981 we estimate that Title VII funds provided direct services to approximately 22 percent of the target population as compared to 14 percent in 1986.

LOCAL FLEXIBILITY

Mr. Early: Under the post sequestration level of $90.862 million for Part A, what portion of these funds will be able to be used for Alternative Instructional Programs?

Mrs. Whitten: The amount available for Special Alternative Instructional Programs in 1986 will be $5,139,664, 4.3 percent less than in 1985.

Mr. Early: How much of your FY 1987 request will be directed toward alternative programs vs the traditional bilingual programs?

Mrs. Whitten: Since the policy is to make funds available to new projects on the basis of the quality of the application without regard to instructional method, we have no way of estimating the amount that would go to Special Alternative Instructional Programs.

Mr. Early: Would you briefly explain what flexibility the schools districts currently have in determining which methods of instruction to use?

Mrs. Whitten: Because of the 4 percent cap on funding for Special Alternative Instructional Programs and the need to make continuation awards, there will be no new grants under this activity in 1986. Consequently local schools can only apply for Transitional Bilingual Education grants to serve their limited English proficient children. Therefore, applicants will be limited to instructional approaches which make provision for the use of the native language. Nonetheless the Bilingual Education Act provides considerable flexibility to schools to determine the nature and extent of that use.

Mr. Early: How, and to what extent, have school administrators registered their interest in having greater flexibility?

Mrs. Whitten: The current bill and previous legislative proposals which sought greater flexibility have received support from the National Association of State Boards of Education, the American Federation of Teachers, the Council of Chief State School Officers, the National Association of Elementary School Principals, and the National Association of Secondary School Principals.

Mr. Early: How many grant applications were received in FY 1985 and in FY 1986, for Alternative Instructional Programs support?

Mrs. Whitten: In 1985 we received 103 applications under Special Alternative Instructional Programs. With the 4 percent cap, there will only be sufficient funds available in 1986 to continue projects begun in 1985.

Mr. Early: What percentage of these applications were you able to support?

Mrs. Whitten: We were able to fund 35 applications in 1985, approximately one-third of those received.

Mr. Early: Do you know if the request to use alternative instruction methods of a particular kind are coming from school districts with similar demographic characteristics?

Mrs. Whitten: Of those Alternative projects funded, most had small numbers of limited English proficient students from many different language groups. Most of these funded districts also had experienced a recent influx of such students.

Mr. Early: Should your proposed legislative changes not be acted upon, and the committee provides the increase requested for

Part A programs, how much of this additional money could be directed to alternative instruction methods?

Mrs. Whitten: If the legislative changes are not enacted, the proposed appropriation language would accomplish the same goal, but only for fiscal year 1987. If the proposed appropriation language is not adopted, a total of $5,518,000 would be available, $378,000 more than in 1986. This amount would fund an estimated three additional projects.

GRANTS TO INSTITUTIONS OF HIGHER EDUCATION

Mr. Early: How many institutions of higher education received grants in FY 1985 to work with local school districts? Who were the grant recipients and what were the size of these awards?

Mrs. Whitten: Five such awards were made in fiscal year 1985 to the following institutions:

Institutions	Amount
Illinois State University, Normal, Illinois	$145,300
Teachers College, Columbia University, New York, New York	$153,910
Fordham University, New York, New York	$111,848
Temple University, Philadelphia, Pennsylvania	$124,561
University of Texas, El Paso, Texas	$123,541

Mr. Early: How many awards do you anticipate making in FY 1986 and FY 1987?

Mrs. Whitten: We have no way of predicting the number of such awards in 1986 and 1987.

Mr. Early: Would you explain the purpose of this type of award?

Mrs. Whitten: Such grants can provide the school district with direct access to a variety of resources at the college or university such as library and computer facilities. If the college has a bilingual teacher training program, cooperative arrangements could be made to train staff specifically for the local school. Since local districts seldom have staff with expertise in evaluation techniques, joint applications can result in technical assistance to the school in this area.

IN-SERVICE TRAINING

Mr. Early: What portion of your FY 1987 request will be directed towards in-service personnel training and retraining?

Mrs. Whitten: At present we do not have accurate data on funds for inservice training but hope to acquire better data through a proposed 1987 research study. Generally we assume that about 9 percent of Part A grants is used for inservice training, as is about 30 percent of Educational Personnel grants, and 100 percent of funds in Training Institutes and Multifunctional Centers. In 1987 this means about $27 million for inservice training.

TRAINING GRANTS

Mr. Early: I see from your justification that 144 education personnel training grants to institutions of higher education were awarded in FY 1985. What were the average size of these awards?

Mrs. Whitten: The average size of these awards was $112,000.

Mr. Early: For the record would you provide a list of the Massachusetts schools which received support under this particular program in FY85.

Mrs. Whitten: Two institutions in Massachusetts participated in this program in 1985. The University of Massachusetts in Boston received 3 separate awards and Bridgewater State College received 1 award.

Mr. Early: Overall, what is the average amount of the fellowship training grants?

Mrs. Whitten: The average award per participating fellow is $9,100 annually.

Mr. Early: How long do grant recipients receive support under this program?

Mrs. Whitten: At the M.A. level, participants can receive support for two years. At the doctoral level, support is for three years.

Mr. Early: If no new fellowship awards are made in FY 1987 as proposed, what will the continuation cost of the current fellowship grants be in the out years?

Mrs. Whitten: If no new awards are made in 1987, all resources for this activity in 1988 will be for new fellowships.

Mr. Early: According to the justification only a small percentage of the fellowship grant recipients go into employment in education. Could you tell us what professions these grant recipients have been entering?

Mrs. Whitten: The statement in the justification was that "many fellows do not obtain employment in fields directly related to education of LEP children." Based on information in the program files for the fellowship class of 1980-81, some were teaching college level foreign language classes to native English speakers and some were teaching other college courses unrelated to bilingual education. Others held administrative positions in elementary and secondary schools and were not providing instruction to limited English proficient students. I believe that other Title VII training activities should receive higher priority since they contribute more directly to increasing the pool of qualified classroom teachers.

MULTIFUNCTIONAL RESOURCE CENTERS

Mr. Early: For the record, insert a list of the 16 multipurpose resource centers.

Mrs. Whitten: The following is a list of the 16 multifunctional support/resource centers:

New England Bilingual Education Multifunctional Support Center, Brown University, Providence, Rhode Island

(Serves: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont)

New York State Bilingual Education Multifunctional Support Center, Hunter College of CUNY, New York, New York

(Serves: New York)

Georgetown University Bilingual Education Service Center, Georgetown University, Washington, D.C.

(Serves: Delaware, District of Columbia, Maryland, New Jersey, North Carolina, Ohio, Pennsylvania, Virginia, West Virginia)

Bilingual Education South Eastern Support Center, Florida International University, Miami, Florida

(Serves: Alabama, Florida, Georgia, Kentucky, Mississippi, South Carolina, Tennessee)

Midwest Bilingual Education Multifunctional Resource Center, Des Plaines, Illinois

(Serves: Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, North Dakota, South Dakota, Wisconsin)

Region 6 Multifunctional Support Center, Texas A & I University, Kingsville, Texas

(Serves: Texas Education Service Center Regions I - IV, XX)

Bilingual Education Training and Technical Assistance Network, University of Texas at El Paso, El Paso, Texas

(Serves: Arkansas, Louisiana, Oklahoma, Texas Education Service Center Regions V - XIX)

Bueno Bilingual Education Multifunctional Support Center, University of Colorado, Boulder, Colorado

(Serves: Colorado, Kansas, Nebraska, New Mexico, Utah)

Interface Education Network, Portland, Oregon

(Serves: Alaska, Idaho, Montana, Oregon, Washington, Wyoming)

SDSU Multifunctional Support Center, San Diego, California

(Serves: Arizona--non-Indian programs; California--Imperial, Orange, Riverside, San Bernardino, San Diego counties)

Bilingual Education Multifunctional Support Center--LA, California State University, Los Angeles, California

(Serves: California--Los Angeles, Santa Barbara, Ventura counties)

Bilingual Education Multifunctional Support Center, National Hispanic University, Oakland, California

(Serves: California--all counties north and including San Luis Obispo, Kern, Inyo; Nevada)

Bilingual Education Multifunctional Support Center, Colegio Universitario Metropolitano, Rio Piedras, Puerto Rico

(Serves: Commonwealth of Puerto Rico, Virgin Islands)

Hawaii/American Samoa Multifunctional Resource Center, Honolulu, Hawaii

(Serves: American Samoa, Hawaii)

Project BEAM (Bilingual Education Assistance in Micronesia), Univesity of Guam, Mangilao, Guam

(Serves: Commonwealth of Northern Mariana Islands, Guam, Trust Territory of the Pacific Islands)

National Indian Bilingual Center, Arizona State University, Tempe, Arizona

(Serves: Indian programs in Alaska, Arizona, California, Michigan, Minnesota, Montana, New Mexico, North Carolina, Oklahoma, South Dakota, Utah, Washington, Wyoming)

Mr. Early: What do you forsee, or what would you like to see, in terms of improvements and changes in the operation of the resource centers?

Mrs. Whitten: The Multifunctional Resource Centers (MRC) are currently being recompeted. The RFP for the competition emphasized:

- o the efficient use of resources,
- o the need to recognize the unique characteristics of, and to serve all, ethnic/language groups within a given service area, and
- o the provision of practical and sound advice to education agencies and practitioners.

IMMIGRANT EDUCATION

Mr. Hoyer: In my home State of Maryland, the Emergency Immigrant Education program and the Refugee Assistance program serve approximately 6,400 students.

Your rationale is that these students can be served under other programs such as Chapter 1. But in my State, Chapter 1 serves only 67% of the eligible students presently.

Is it prudent or sound judgement to add another 6,400 students to the 35,000 waiting for regular Chapter 1 services?

Mrs. Whitten: Local school districts, not the Federal Government, determine how many students they will serve under Chapter 1 and the amount they will spend per child. Moreover, school districts are required to give priority to those children most in need of compensatory education services. Consequently, those immigrant children most in need of services will likely be served.

Immigrant children can also be served using Chapter 2 funds and, if limited English proficient, using Bilingual Education funds.

PART C, TRAINING GRANTS

Mr. Hoyer: Why are you proposing point of order language that would negate the requirement that 25 percent of the act appropriation be used for Part C, Training Grants?

Mrs. Whitten: Point of order language is proposed for 1987 to enable the Department to allocate the $3.7 million increase for the Bilingual Education Act exclusively to Part A where it will provide services to students. I believe that at the $33.6 million level, adequate resources are already available for training.

Mr. Hoyer: I am a little confused. Last year, I'believe you requested a decrease in part C of about $9.5 million. In answer to one of my questions, you said that "there is not a significant unmet demand for new bilingual teachers."

This year, however, you've called Part C a "Top Priority" on page 186 of your justification.

Can you explain this apparent change of heart?

Mrs. Whitten: The statement on page 186 indicates our top priority within Part C, Training Grants, is training classroom teachers. Some activities in Part C provide graduate level education for persons who seldom become classroom teachers.

Mr. Hoyer: Is there or is there not a shortage of teachers?

Mrs. Whitten: In some areas of the country there is a shortage of teachers. I believe that in many cases, the best way to meet this shortage may be through inservice training rather than training new bilingual teachers. Nonetheless our proposal includes substantial funding for both inservice and preservice training.

LEGISLATIVE PROPOSAL

Mr. Hoyer: What is the current status of your legislative proposal to give the program more flexibility?

Mrs. Whitten: The bill has been introduced in both the House and Senate. In the House the bill had 22 cosponsors and in the Senate there were 9 cosponsors.

Mr. Hoyer: Have any of my Democratic colleagues begun to support the suggested changes?

Mrs. Whitten: The Department's Office of Legislation found extensive bipartisan support for the legislative proposal before it was introduced.

Mr. Hoyer: Are there any Democratic cosponsors?

Mrs. Whitten: One of the cosponsors of the legislation in the House is a Democrat.

Mr. Hoyer: Are you aware of what instructional methods are being used in Maryland or Prince George's County?

Mrs. Whitten: I had planned to make visits to bilingual projects in Maryland, including some in Prince George's County, several weeks ago. Unfortunately I had to cancel these appointments. The visits have now been rescheduled. I am aware that the limited Enlgish proficient population in your State is diverse and represents many different language groups. As you know, one of the Special Alternative Instructional programs that we funded last year was in Maryland.

OBEMLA'S PROGRESS

Mr. Conte: Mrs. Whitten, I want to join the Chairman in welcoming you before the Committee again. Last time you appeared here you'd only had five days on the job, if I remember correctly. Now that you've had almost a full year, do you feel good about the office?

Mrs. Whitten: I am very pleased with the progress we have made this past year in the Office of Bilingual Education and Minority Languages Affairs. Given the excellent leadership and direction provided by Secretary Bennett and his commitment to meeting the educational needs of our Nation's limited English proficient students and the support of my hard-working staff, we have accomplished much in improving Title VII. Good things are happening. You are aware of our new regulations, the proposed legislation to amend the Bilingual Education Act, and the tremendous public support we have received for the goal of returning to the original intent of the Bilingual Education Act: to help local school districts develop their capacity to teach English to children whose first language is not English, thus enabling these children to participate fully in American life. I consider it a priviledge to serve the President as the Director of OBEMLA.

IMMIGRANT EDUCATION

Mr. Conte: I'd like to begin today by taking a look at the Immigrant Education program. Mrs. Whitten, how are the $30 million dollars in this program awarded each year?

Mrs. Whitten: Each year States collect data from eligible LEAs within the State and forward the count of eligible children to the Department. Funds are distributed on the basis of this count. Awards are reduced by the amount which eligible districts receive under the Transition Program for Refugee Children and the program for Cuban and Haitian entrant children.

Mr. Conte: What is the average amount States receive per immigrant student?

Mrs. Whitten: In 1985, 422,549 students were eligible under the program. Of this number 66,139 were also counted under the Refugee and Entrant programs. The amount per child was $71.

Mr. Conte: Is it the same in FY 1985 and FY 1986, if the rescission request is not granted?

Mrs. Whitten: We expect that the amount per immigrant student would decline somewhat due to the Gramm-Rudman-Hollings reduction and because the number of children counted is likely to increase. However, assuming the same child count, the per student amount would drop by approximately $3.

Mr. Conte: Are these same children also counted for Federal funds under Bilingual Education, Chapter 1, and maybe Chapter 2, and also the Refugee programs at HHS?

Mrs. Whitten: As I mentioned, 66,139 of these children are also counted for the Refugee and Entrant programs which appear in the HHS appropriation. We do not have data on the number also served by Chapter 1, Chapter 2, and the Bilingual Education program. Nonetheless, since many of these children are educationally disadvantaged and limited English proficient, we expect that a large number are served by these three programs.

Mr. Conte: It would seem to me that if we're double, triple, and even quadruple-counting these kids, Mr. Chairman, there's a pretty good case that these funds might be better off in a program like Pell Grants, especially if we keep the Refugee programs going at HHS. $30 million is a good hunk of change. Do you have any figures on what the States are getting per child under these programs?

Mrs. Whitten: I can provide data on the Refugee and Entrant programs. In 1985, the per pupil amount under the Refugee program was $202. In 1984, the amount per student under the entrant program was $411.

FUNDS FOR MASSACHUSETTS

Mr. Conte: Mrs. Whitten, I'm also interested in finding out how funds are spent at the State level, particularly Massachusetts. Can you provide me with information on all your office's funds going into Massachusetts, who is getting the money and what it's being spent for?

Mrs. Whitten: Mr. Conte, in 1985 your State receive $654,883 under the Immigrant Education program and $1,061,310 under the Refugee program.

In addition, Massachusetts received a total of $3,190,743 under the Title VII Bilingual Education program. Specifically there were: 18 Bilingual Education program grants to school districts for a total of $2,596,497; 5 grants to institutions of higher education for teacher training for a total of $464,480, and a State agency grant for data collection and technical assistance of $129,766.

STATE GRANTS

Mr. Conte: Do you feel that there is adequate review and inspection of how bilingual funds are spent at the State level, and that these funds are going to serve the children for which they're intended?

Mrs. Whitten: OBEMLA is confident that the SEA grants are in compliance with the Title VII laws and regulations; however, it must be recognized that in most cases the primary activity in SEA grants is data collection, and students are not generally served with these funds.

Mr. Conte: How is your office instituting the Gramm-Rudman-Hollings cuts in FY 1986? Will each individual award be reduced by 4.3 percent, or will each pot of money be reduced, effectively reducing the overall number of awards?

Mrs. Whitten: Each of the three major activities was reduced by 4.3 percent. We are considering different options for implementing these reductions at the subactivity level.

SPECIAL ALTERNATIVE PROJECTS

Mr. Conte: We talked with the Secretary some yesterday about the Department's proposals to increase flexibility in the Part A program. Last year was the first year with the 4 percent set-aside for Alternative Instructional methods, which was a partial concession in the direction the Secretary wants to go. How many projects were funded under the 4 percent set-aside?

Mrs. Whitten: We were able to fund 35 Special Alternative Instructional projects in 1985.

Mr. Conte: How many requests overall did you get for these funds?

Mrs. Whitten: We received 103 applications for this activity.

Mr. Conte: What was the total amount spent on alternative instruction, and how does that compare to what was requested by the schools?

Mrs. Whitten: Total funding for the 35 successful applicants was $5,278,179. The total amount requested in the 103 applications was $17,335,640.

LEGISLATION

Mr. Conte: Have you had any indication from the authorizing committees that they will act favorably on your legislation to eliminate the cap on alternative methods?

Mrs. Whitten: We have not yet heard from the authorizing committees as to their intentions on the Department's legislative proposal. However, we have consulted extensively with members of the House and Senate and have discovered that there is considerable bipartisan support for this legislation. As you know the bill had 22 cosponsors in the House and 8 in the Senate.

Mr. Conte: Has the Department assessed how the funding of these new methods will affect the binding agreements you have with school districts, the ones that came out of the original Supreme Court decision in 1974? Will those have to be renegotiated?

Mrs. Whitten: It is my understanding that the Department's Office for Civil Rights has negotiated Lau plans with some 500 school districts. That office recently informed these districts that they may modify their program or choose a different instructional approach as long as it continues to protect the equal educational rights of language minority students. The proposed change to the Bilingual Education Act would have no effect on these agreements.

Mr. Conte: Mrs. Whitten, has our knowledge of how to teach limited English students really developed in the 16 years since the landmark Supreme Court ruling? If it hasn't, and if we remove the mandate on transitional bilingual education programs, it would seem to me that we're just going to revert to the time when kids who didn't understand English were left to sink or swim in regular classrooms?

Mrs. Whitten: Mr. Conte, we will not fund a "sink or swim" project under the Bilingual Education Act. Any application which seeks funding must demonstrate that the needs of local children have been assessed and that the program will address those needs. The "sink or swim" method is not an allowable approach under Title VII. The only change we seek is to allow school districts to examine a broader range of educational alternatives and to select the approach which is most likely to benefit local children. I believe that parents, teachers, and local school officials are in a far better position to make that choice than the Federal Government.

Mr. Conte: If the legislative proposals you are making are not approved by the time we go to mark up the 1987 bill, how would your request to the subcommittee have to be changed in order to comply with the present authorization of the bilingual program?

Mrs. Whitten: If the legislative proposal is not approved by the time of mark up, the Committee can adopt the proposed appropriation language which would accomplish the same goal. If no change is made, the Special Alternative Instructional Programs would again be limited to 4 percent of the appropriation.

TEACHER TRAINING

Mr. Conte: On the topic of teacher training, Mrs. Whitten, do you feel that at present there is a shortage in the supply of qualified bilingual education instructors?

Mrs. Whitten: We believe that there continues to be a need for new teachers, particularly in certain areas of the country. In many cases, however, the best way to meet this need may be through inservice training.

Mr. Conte: To what extent do funds for training grants help bilingual teachers already working in the schools, and to what extent do they help develop a new corps of bilingual instructors?

Mrs. Whitten: A large portion of funds in the Bilingual Education program are used for training. Most grants to school districts under Part A include a significant inservice training component. Under Part C, Training and Technical Assistance, a mix of preservice and inservice activities are funded.

Mr. Conte: Do you feel comfortable with that division of funds?

Mrs. Whitten: Since I became Director of OBEMLA I have taken several steps to increase the emphasis on inservice training. While I believe there is a continuing need to train new bilingual teachers, inservice training may frequently be more effective. We have data which suggest that many participants in preservice training programs go into fields other than teaching limited English proficient children. Moreover, preservice training programs often have trouble recruiting students and do not operate at full capacity. Inservice training can provide experienced teaching personnel with the skills they need to provide instruction to limited English proficient students.

EVALUATION ASSISTANCE CENTERS

Mr. Conte: We talked some last year about the development of the Evaluation Centers. Now that those centers have had a year to develop, what role do you see them playing, and do you think that two centers provide the country with sufficient services?

Mrs. Whitten: There is one Evaluation Assistance Center (EAC) now in operation that serves the eastern United States. A competition was held for a western EAC, but the proposals received were of insufficient quality for funding. An RFP will soon be released for a western EAC. In the meantime, the Multifunctional Resource Centers that serve the western United States are providing evaluation technical assistance in the west.

The eastern EAC has been responding to an ever increasing number of inquiries from State and local education agencies. Its staff has conducted workshops on the evaluation of bilingual projects, made consultation visits, corresponded with school districts, and provided advice by telephone. They have worked closely with the Multifunctional Resource Centers within their area and with the National Clearinghouse for Bilingual Education to provide needed information for their constituents. They are both a source of technical expertise and information for education agencies faced with the formative and summative evaluation of their programs. This is the role that the EAC was established to fulfill. It is the role that the western EAC will carry out when it is established.

I believe that two EACs are sufficient since they will be working closely with the 16 regional Multifunctional Resource Centers.

Mr. Conte: What do you plan to accomplish with the funding increase you are proposing for these centers in FY 1987?

Mrs. Whitten: It is clear from the success of the eastern EAC that as the centers become established the demand for their services increases. The increase in funding will go toward better meeting the demand for services.

DEPARTMENT OF EDUCATION

Bilingual Education

Fiscal Year 1987 Budget Request — Page No.

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BILINGUAL EDUCATION

For carrying out, to the extent not otherwise provided, title VII of the Elementary and Secondary Education Act, [title VI of the Education Amendments of 1984, and title IV, part E of the Carl D. Perkins Vocational Education Act, $172,951,000, of which $5,000,000 shall be for section 732 of title VII of the Elementary and Secondary Education Act and $30,000,000 shall be for the Emergency Immigrant Education Program authorized by title VI of the Education Amendments of 1984][1/] $142,951,000, of which $99,285,000 shall be for Part A, $10,100,000 shall be for Part B and $33,566,000 shall be for Part C:[2/] *Provided*, That the limitations in section 702(b)(3) and 702(b)(4) shall not be in effect.[3/] (Department of Education Appropriation Act, 1986.)

Explanation of Language Changes

1/ This language is deleted because no funds are requested for these activities in 1987.

2/ This language is included to override the 25 percent set-aside for Training and Technical Assistance in section 702(b)(2) of the Bilingual Education Act.

3/ These sections require a 75 percent mandatory set-aside for transitional bilingual education and a 4 percent cap for alternative instructional programs. This language is included to override these requirements in order to permit the Department to allocate funds for whatever instructional approaches local schools believe will work best for the students to be served.

Bilingual Education

Language Analysis

Language Provision	Explanation
...of which $99,285,000 shall be for Part A, $10,100,000 shall be for Part B and $33,566,000 shall be for Part C:...	This language overrides the requirement in section 702(b)(5) of the Bilingual Education Act that at least 25 percent of the 702(b)(1) appropriation be reserved for Part C Training Grants. This permits the Department to increase funding for Part A without an increase for Part C.
...Provided, That the limitations in section 702(b)(3) and 702(b)(4) shall not be in effect.	This language overrides the requirement that 75 percent of Part A [illegible]ds be used for transitional bilingual programs and that 4 percent of the 702(b)(1) appropriation be used for alternative instructional programs.

Bilingual Education

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual....................	$172,951,000	$172,951,000	$142,951,000
Sequester order...........	---	-7,430,000	---
Subtotal, adjusted appropriation............	172,951,000	165,521,000	142,951,000
Comparative transfer to:			
Immigrant Education........	-30,000,000	-28,710,000[1]	---
Vocational and Adult Education................	-3,686,000	-3,527,000[2]	---
Salaries and Expenses......	-137,000	-150,000	---
Subtotal, adjusted budget authority..................	139,128,000	133,134,000	142,951,000
Recovery of prior year obligations...............	827,000	---	---
Comparative transfer of recovered prior year obligations to:			
Vocational and Adult Education................	-827,000	---	---
Unobligated balance lapsing..	---	-160,000[3]	---
Total obligations........	139,128,000[4]	132,974,000	142,951,000

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[1] Reflects a sequester of $1,290,000.

[2] Reflects a sequester of $159,000.

[3] Reflects a reduction required by section 515 of the Treasury-Postal Services Appropriations Act of 1986.

[4] Total obligations at the end of fiscal year 1985 included $10,418,00 contingently obligated under court order.

Bilingual Education

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. Bilingual education:				
(a) Bilingual programs (Part A)........	$95,099,000	$91,010,000	$90,862,000	$99,285,000
(b) Support services (Part B)..........	10,600,000	10,151,000	10,151,000	10,100,000
(c) Training grants (Part C)...........	33,566,000	32,123,000	32,121,000	33,566,000
Subtotal......................	139,265,000	133,284,000	133,134,000	142,951,000
2. Bilingual vocational training..........	3,686,000	3,527,000	3,527,000	---
Total.........................	142,951,000	136,811,000	136,661,000	142,951,000

NOTES

1(a). The 1986 revised level excludes $148,000 for field reader activities which are transferred to Salaries and Expenses in 1987.

1(c). The 1986 revised level excludes $2,000 for field reader activities which are transferred to Salaries and Expenses in 1987.

NOTE.--Immigrant Education was appropriated in this account in 1986; however, for budget presentation purposes, this activity is displayed as a separate account for all years.

Bilingual Education

Budget Authority by Object

	1985	1986	1987
Other services..................	$14,362,000	$15,366,000	$14,900,000
Grants, subsidies, and contributions.................	124,766,000	117,768,000	128,051,000
Total budget authority by object....................	139,128,000	133,134,000 1/	142,951,000

1/ Reflects a reduction of $5,981,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Bilingual Education

Summary of Changes

1986 Estimate..	$139,115,000
1986 Sequester order..	-5,981,000
Total estimated budget authority....................	133,134,000
1987 Request..	142,951,000
Net change....................	+9,817,000

	1986 base 1/	Change from base
Increases:		
Program:		
1. Increase in Bilingual programs to support 54 additional capacity-building projects and serve 18,325 more children......	$90,862,000	+$8,423,000
2. Increase in Support services to restore SEA grants, Evaluation assistance centers, and Studies and evaluations to 1986 appropriation levels................	8,716,000	+384,000
3. Increase in Training grants to fund 15 additional projects at institutions of higher education......................	16,581,000	+1,685,000
Subtotal..............		+10,492,000
Decrease:		
Program:		
1. Decrease in cost of clearinghouse..........................	1,435,000	-435,000
2. Decrease in fellowship program, 24 fewer fellows...............	3,240,000	-240,000
Subtotal..............		-675,000
Net change............		+9,817,000

1/ Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Bilingual Education

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. Bilingual education:	Bilingual Education Act (ESEA, Title VII)	Indefinite	Indefinite
a. Bilingual programs	ESEA, VII, Part A	1/	1/
b. Support services	ESEA, VII, Part B	Indefinite	Indefinite
c. Training grants	ESEA, VII, Part C	2/	2/
Total definite authorization..........		---	---

1/ Section 702(b)(4) requires that at least 60 percent of the total appropriation (after funds for State educational agency grants have been subtracted) be reserved for Part A programs.

2/ Section 702(b)(5) reserves a minimum of 25 percent of the total appropriation (after funds for State educational agency grants have been subtracted) for Part C programs.

Bilingual Education

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1978	$143,600,000	$143,600,000	$143,600,000	$143,600,000
1979	158,600,000	158,600,000	158,600,000	158,600,000
1980	178,250,000	176,250,000	161,975,000	166,963,000
1981	134,822,000	179,763,000	161,427,000	161,427,000
1982	143,810,000	143,810,000	143,810,000	138,058,000
1983	94,534,000	138,057,000	138,057,000	138,057,000
1984	94,534,000	142,057,000	139,000,000	139,365,000
1985	139,245,000	143,656,000	142,245,000	142,951,000
1986	142,951,000	142,951,000	143,000,000	142,951,000
1986 Sequester	-6,140,000			
1987	142,951,000			

NOTE.—Excludes amounts associated with Immigrant Education.

Bilingual Education

Significant Items in Congressional Appropriations Reports

Item 1986 Senate Report	Action taken or to be taken
National Clearinghouse on Bilingual Education	
The Committee recommends that the clearinghouse be funded at $1,500,000 per year.	The amount available for the clearinghouse was reduced from $1,500,000 to $1,435,000 by the Balanced Budget and Emergency Deficit Control Act of 1985. That amount has been allotted to the clearinghouse.

Bilingual Education

Account Summary

	1985	1986	1987
1. Bilingual education:			
a. Bilingual programs (Part A).	$94,963,000	$90,862,000	99,285,000
b. Support services (Part B)...	10,600,000	10,151,000	10,100,000
c. Training grants (Part C)....	33,565,000	32,121,000	33,566,000
Total budget authority......	139,128,000	133,134,000 1/	142,951,000

1/ Reflects a reduction of $5,981,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

The purpose of the Bilingual Education Act is to assist language minority, limited English proficient students to acquire the English language proficiency they will need to become full and productive members of society.

The Act currently authorizes three distinct kinds of activities. Under Bilingual Programs (Part A), educational services are provided to students. These awards, primarily to school districts, are designed to assist students in acquiring the English language proficiency necessary to participate in regular classes and become full and productive members of society. Under Support Services (Part B), awards are made to a variety of recipients for data collection and technical assistance, research, and the dissemination of information on educational services for limited English proficient students. Under Training Grants (Part C), awards are made to a variety of recipients for inservice and preservice training of educational personnel and parents. In all three activities the goal is to provide Federal assistance for a limited time so that local schools, States, and institutions of higher education can build their capacity to operate programs on a continuing basis when Federal assistance is reduced or no longer available. Since the program began in 1969, a total of more than $1.7 billion has been distributed to meet the goals of the Bilingual Education Act.

The Department estimates that between 1.2 million and 1.7 million children, aged 5-17 live in language minority households, make substantial use of a native language, and are limited English proficient. This estimate is based on data from the joint Education Department/Bureau of the Census English Language Proficiency Study which began in 1981. This range is also consistent with estimates produced by the Children's English and Services Study, the National Longitudinal Evaluation, and the 1980 Census.

Regulations and Legislation

Proposed regulations for most of the activities authorized by the Bilingual Education Act were published on November 22, 1985, and comments were due by the end of January, 1986. These regulations will govern fiscal year 1986 awards. The proposed regulations:

Bilingual Education

Account Summary -- Continued

- Clarify the flexibility of LEAs, under the Act, to determine the extent of native language use in transitional bilingual programs;
- Increase emphasis on building local capacity to operate programs of instruction for the limited English proficient; and
- Clarify that the purpose of the Bilingual Education program is to ensure that limited English proficient students become proficient in English as quickly as possible.

The Department will propose legislation to amend the Bilingual Education Act to remove the 4 percent cap on funding for special alternative instructional programs and the requirement that 75 percent of Part A funding go to transitional bilingual education programs. If enacted, this legislation would permit the Department to select applications on the basis of quality and need. Applicants must demonstrate, however, that the instructional approach chosen will effectively address the needs of the children to be served.

1987 Budget Policy

Improving educational services for limited English proficient students constitutes one of the Department's highest priorities in the fiscal year 1987 budget. Consequently, despite overall reductions in the Department's budget, funding for programs under the Bilingual Education Act is increased by $3.7 million over the 1986 appropriation level of $139.1 million, and $9.8 million over the 1986 post sequestration level of $133.1 million.

The majority of the increase in 1987 will be for new awards for transitional bilingual programs and special alternative instruction under Part A. This is in keeping with the primary goal of the 1987 budget of increasing local flexibility to design instructional programs which respond to the educational needs of limited English proficient children in the district. Legislation will be proposed, as well as appropriation language, to override the 4 percent limitation on funding for special alternative instructional programs and the requirement that 75 percent of Part A funds be used for transitional bilingual education projects.

For Support Services under Part B, funding for the clearinghouse will be reduced as a result of the elimination of overlap with NIE's ERIC system and other efficiency measures. Funding for other Part B activities will be restored to the 1986 appropriation level.

Funding for educational personnel training will be significantly increased in 1987 over the 1986 post sequestration level to respond to the Department's top priority for Part C: training classroom teachers. No new fellowships will be awarded in 1987 since this program provides graduate training for persons who seldom have a direct impact on the classroom. As the fellowship program is phased down, savings will be shifted to the educational personnel training program.

Bilingual Education

1. Bilingual education: a. Bilingual programs
(Bilingual Education Act, ESEA, Title VII, Part A)

1987 Authorization: Indefinite [1]

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$94,951,000	$90,862,000	$99,285,000	+$8,423,000

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[1] The minimum amount authorized is 60 percent of the total Title VII appropriation remaining after funds for Part B State educational agency grants have been subtracted.

Purpose and Method of Operation

Under Bilingual Programs (Part A), Federal grants build local capacity to provide appropriate educational services to limited English proficient (LEP) children. Programs are designed to teach English and to help these children enter all-English educational programs as quickly as possible. Although most awards are made to school districts, in some cases institutions of higher education, private non-profit, and private for-profit organizations also participate.

Seven separate activities are funded under Part A:

- Transitional bilingual education projects use the native language to the extent necessary to teach English and to permit the student to meet grade promotion and graduation requirements.
- Developmental bilingual projects teach English but also strengthen or develop native language skills.
- In Special alternative instructional projects, classwork is in English but is specifically designed for LEP children.
- Academic excellence projects serve as models of exemplary programs and facilitate the dissemination of effective bilingual educational practices.
- Family English literacy projects are designed to teach English to LEP adults and out-of-school youth.
- Under the Special populations activity, preschool, special education, and gifted and talented projects are funded.

Purpose and Method of Operation -- Continued

- Instructional materials projects are funded to develop curriculum materials that are not commercially available.

During most of the life of the program, the Department promoted instructional methods which relied heavily on use of the native language as the medium of instruction. These programs, generally referred to as transitional bilingual education, provide most coursework initially in the native language but, over time, English gradually becomes the language of instruction. However, even after 17 years of experience with this approach, no research evidence shows that these methods are superior to other instructional alternatives. A variety of research and evaluation efforts over the years have shown that transitional bilingual education can have a positive effect, but sometimes has no effect and in some cases has a negative effect. Data on alternative programs such as immersion and English-as-a-second language are also inconclusive.

A recent study of instructional programs for LEP children, which collected data from a nationally representative sample of schools (most were not recipients of Federal Bilingual Education grants), found that a majority use English language instructional methods. Nonetheless, most schools with large numbers of these children use native language methods. Approximately 73 percent of all LEP students were in classrooms where the native language is used. The same study also revealed interesting differences in instructional method by ethnic group. Programs for Hispanic students spent on average almost five more hours per week on native language reading, oral language development, and ethnic studies than did programs for other LEP children. Significantly less time was spent on English and math instruction for Hispanics than for other LEP students.

The demand for support for special alternative instructional programs that make little, if any, use of the native language far exceeds available funding because of the spending cap. In 1985, for every three applications for these programs, the Department was able to fund only one.

The Part A program is intended to help build local capacity to serve LEP students, not to provide long-term aid for the continued operation of such programs. Nonetheless, 43 percent of those districts receiving awards in 1984 had received funding for more than five years and 32 percent had received funding for more than seven years.

The program is current funded. However, funds appropriated and awarded in one fiscal year are generally used for activities carried out in the following fiscal year. Grants are awarded on the basis of national competition.

Bilingual Education

1. Bilingual education: a. Bilingual programs

Accomplishments

Since the beginning of the program in 1969, 843 local school districts in 48 States and Outlying Areas have received grants. In 1985, 645 awards for projects serving 205,494 children were made. Awards ranged from $11,749 to $479,795. The average award was $147,230.

In 1985, transitional bilingual education continued to be the primary activity under Part A, with 81 percent of available resources devoted to it. The remaining 19 percent was shared by the six other authorized activities. Special alternative instructional programs received 5.7 percent of Part A funds and 4 percent of the total appropriation.

Since the beginning of the Federal Bilingual Education program in 1969, educational services for LEP students have grown dramatically. A recent study found that 94 percent of the 1.3 to 1.4 million language minority students in the U.S. identified by school districts as LEP were receiving instruction specifically designed to meet their needs. Some 44,300 teachers were serving these students, of whom 60 percent had received relevant college or in-service training. On average, 20 percent of these students graduate to regular classrooms each year. However, this percentage varies among schools. Students attending schools with high concentrations of LEP children graduate at a slower rate.

1987 Budget Proposal

For Bilingual Programs (Part A) a total of $99,285,000 is requested, an increase of $8,423,000 over the 1986 post sequestration level. This amount will fund all 398 continuations and an estimated 283 new projects serving a total of 215,500 children. Compared to 1986, this represents an increase of 55 projects and 18,325 students.

The primary goal of the 1987 budget policy is to increase local flexibility to develop instructional programs which respond to the educational needs of LEP children in the district. In the absence of evaluation data showing the superiority of any one instructional approach, it is inappropriate for the Federal Government to favor a particular method. Teachers, parents, and local school officials are in a better position to make this choice than the Federal Government.

Since the highest funding priority in the 1987 Bilingual Education budget is services to children, most of the increase in funding is allocated to Part A. Within Part A, the Department's top priorities are transitional bilingual programs and special alternative instructional programs. Of the seven Part A activities, these two are most directly focused on teaching English to LEP children. Consequently, most new projects will be either transitional programs or special alternative programs. Applications for new awards will be considered on the basis of their quality and the need of the district. Appropriation language is proposed in 1987 to override the limitation on funding for special alternative instructional programs.

1987 Budget Proposal -- Continued

Continuation awards will be funded as follows:

Transitional bilingual education — For this activity, $45,795,000 will be available for continuation of an estimated 314 projects serving approximately 101,012 children.

Developmental bilingual programs — For this activity, $250,000 will be available to continue the two projects first funded in 1985. No new projects will be funded since the purpose of this program is to strengthen non-English language skills of LEP students and teach foreign languages to native English speaking participants. While the Department believes that the development of foreign language skills is important, such instruction can be supported under the Chapter 2 State Block Grant program and other authorities. Developmental projects divert resources from those children most in need.

Alternative instructional programs — For this activity, $5,140,000 will be available to continue 35 projects begun in 1985. These projects will serve about 12,095 students.

Programs of academic excellence — $5,000,000 will be available to continue an estimated 29 dissemination and demonstration projects begun in 1986.

Family English literacy — For this activity, $2,250,000 will be available to continue 18 projects serving an estimated 5,067 adults and out-of-school youth. No new starts will be funded in this activity. Similar services are available for parents through the short-term training institutes (funded under Part C) and under the Adult Education program, which serves an estimated 676,000 LEP adults and out-of-school youth.

New awards will be made as follows:

Special populations — $3,500,000 will be available for an estimated 27 one-year projects serving 7,883 children.

Instructional materials — This activity will again be limited to $250,000 to fund two one-year projects. Materials are available for major language groups in most curricular areas. Moreover, materials development is an allowable activity under three other Part A activities.

New transitional and alternative projects — The Department estimates that $37,100,000 will be available for new transitional bilingual and special alternative instructional projects. This amount should fund approximately 254 projects serving 81,980 students.

Bilingual Education

1. Bilingual education: a. Bilingual programs

Impact Data	1985	1986 after Sequestering	1987
Transitional Programs	$77,342,400	$73,222,000	$45,795,000
Number of projects	538	510	314
Number of children	174,500	164,337	101,012
Developmental Programs	$250,000	$250,000	$250,000
Number of projects	2	2	2
Number of children	563	563	563
Alternative Programs	$5,370,600	$5,140,000	$5,140,000
Number of projects	35	35	35
Number of children	12,095	12,095	12,095
Academic Excellence	$7,750,000	$6,250,000	$5,000,000
Number of projects	37	32	29
Number of children	9,327	7,230	6,900
Family English Literacy	$500,000	$2,250,000	$2,250,000
Number of projects	4	18	18
Number of students	1,126	5,067	5,067
Special Populations	$3,500,000	$3,500,000	$3,500,000
Number of projects	27	27	27
Number of children	7,883	7,883	7,883
Instructional Materials	$250,000	$250,000	$250,000
Number of projects	2	2	2
New Transitional and Alternative projects	—	—	$37,100,000
Number of projects	—	—	254
Number of children	—	—	81,980
Total, Part A	$94,963,000	$90,862,000	$99,285,000
Number of projects	645	626	681
Number of students	205,494	197,175	215,500

Bilingual Education

1. Bilingual education: b. Support Services
(Bilingual Education Act, ESEA, Title VII, Part B)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$10,600,000	$10,151,000	$10,100,000	-$51,000

Purpose and Method of Operation

Part B of the Bilingual Education Act authorizes grants to State educational agencies (SEAs); awards for at least two evaluation assistance centers; contracts for research and evaluation; and a contract for a national clearinghouse to collect, analyze, and disseminate information about programs for limited English proficient students.

Grants to SEAs are primarily for data collection and reporting, but a variety of other activities related to improving educational services for LEP children are also authorized. A minimum SEA award of $50,000 is provided, and no award can exceed 5 percent of the sum provided for all local projects within the State in the previous year.

Evaluation assistance centers provide technical assistance to local school districts in evaluating local projects.

The research and evaluation activity provides funds for studies designed to inform policy decisions and provide information for program administration.

The clearinghouse provides reference and referral services, and bibliographic search services, principally to practitioners, such as teachers and other educational personnel. The clearinghouse maintains a data base of information on educational services for LEP students and participates in an information dissemination network with the multifunctional centers (which are described under Part C).

The program is current funded. For the most part, however, funds appropriated and awarded in the one fiscal year are used for activities carried out in the following fiscal year.

Accomplishments

In fiscal year 1985, 49 State educational agencies received grants ranging from $9,387 to $928,873. A 1984 study of this activity by SRA Technologies found that States are delivering a wide variety of services to school districts serving LEP children, including those districts that do not have Title VII grants. The study hypothesized that the existence of these

Accomplishments -- Continued

Federal grants to SEAs contributed to passage of bilingual education legislation in many States. Under the amended Bilingual Education Act, these grants are primarily for data collection and reporting, although coordination and technical assistance, which were the primary focus under the old law, are still allowable.

The Department attempted to fund two evaluation assistance centers in fiscal year 1985, but because of technical difficulties with some of the bids, was able to make only one award. Consequently, the east coast center was funded for two years and a similar award will be made early in 1986 for the west coast center.

Under studies and evaluation the Department has funded a variety of research efforts which have increased understanding of the LEP students and the instructional services they receive. Most of the different activities funded under the Bilingual Education Act have also been evaluated. Major studies currently underway include: the National Longitudinal Evaluation of the Effectiveness of Services for language minority, limited English proficient students; a Descriptive and Longitudinal Study of Immersion Programs for Language Minority Children; the Evaluation and Field Test of Evaluation Procedures and Materials; and the Educational Preferences of Parents of Language Minority Children.

The contract for the national clearinghouse on bilingual education is currently being recompeted. A recent study of the clearinghouse concluded that it is successfully delivering the services required by the contract, that it is well known by persons involved in the education of limited English proficient students, and that its products and services are generally of good quality. The same study also found that the costs of the clearinghouse, compared to those of comparable centers, are high and that its functions overlap with those of the ERIC system at the National Institute of Education. The new contract will build on the past strengths of this activity and eliminate the problems identified by the study.

1987 Budget Proposal

For Part B, $10,100,000 is requested, $51,000 less than the 1986 post sequestration level.

Funding for the SEA grants activity will be increased by $215,000, from $4,785,000 to the 1986 appropriation level of $5,000,000. At this level, all States that apply can receive the statutory minimum grant of $50,000. Applicant States eligible for larger awards will receive close to the maximum allowable award.

Funding for the evaluation assistance centers will be increased from $500,000 to $600,000. This will permit a small increase in the technical assistance activities of both the east and west coast centers.

Bilingual Education

1. Bilingual education: b. Support Services

1987 Budget Proposal -- Continued

Funding for studies and evaluation will be increased from $3,431,000 to $3,500,000. This will restore the activity to its 1986 appropriation level. These resources will allow the Department to initiate several major new studies since many of those currently underway will be complete. New studies will include: evaluation of teacher training components, a study to better understand the mix of language-related and compensatory education-related needs of language minority children; and a study to gather information on factors contributing to the high dropout rates of Hispanic students.

Funding for the national clearinghouse on bilingual education will be reduced from $1,435,000 to $1,000,000. This reduction will be possible without reducing practitioner-oriented clearinghouse services. Savings primarily reflect the elimination of overlap with the NIE's ERIC system. The $1,000,000 requested for the clearinghouse is almost three times the average award received by clearinghouses in the ERIC system, which are funded on average at $356,000.

Impact Data	1986	1986 after Sequestering	1987
Grants to SEAs..................	$5,000,000	$4,785,000	$5,000,000
Number of projects	49	57	57
Evaluation assistance centers......................	$500,000	$500,000	$600,000
Number of projects	1	2	2
Studies and evaluations.......	$3,600,000	$3,431,000	$3,500,000
Clearinghouse.................	$1,500,000	$1,435,000	$1,000,000

Bilingual Education

1. Bilingual education: c. Training grants
(Bilingual Education Act, ESEA, Title VII, Part C)

1987 Authorization: Indefinite [1/]

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$33,564,000	$32,121,000	$33,566,000	+$1,445,000

[1/] The minimum amount authorized is 25 percent of the total Title VII appropriation after funds for Part B State educational agency grants have been subtracted. In 1987 appropriation language is proposed to override this requirement.

Purpose and Method of Operation

Part C of the Bilingual Education Act authorizes training and technical assistance activities through grants and contracts. These activities are intended to increase the pool of trained teachers and to increase the skills of teachers currently providing instruction to LEP children. Five activities are authorized by Part C:

Educational personnel grants to institutions of higher education support degree and non-degree training in fields related to instructional services for LEP children. This program seeks to increase the supply of new teachers and teacher aides and to upgrade the qualifications and skills of existing educational personnel.

The fellowship program provides grants to graduate students at participating institutions of higher education. Fellows must work in a field related to the purposes of the Act for a period of time equal to that of the fellowship or repay the amount of the fellowship.

Training development and improvement awards provide funds for reform of graduate school curricula and incentive funding to hire instructors in bilingual education. This activity was previously known as "school of education grants."

Short-term training institutes provide training for parents, administrators, and teachers through grants to institutions of higher education, private organizations, school districts, and SEAs.

Multifunctional resource centers conduct training activities and also provide technical assistance, primarily to LEAs. They are linked through a network with the national clearinghouse on bilingual education to ensure effective coordination and prevent duplication of effort. The centers provide assistance regionally for all language groups in the region.

Accomplishments

Educational personnel grants to institutions of higher education for training teachers, teacher aides, parents and administrators totaled 144 in 1985. Since its inception in 1975, the program has awarded grants to at least 238 different institutions of higher education to their develop capacity to train new bilingual teachers. A report on this program (RMC Research Corporation, 1981) found that many of the participants were teachers and aides who were improving their credentials, not persons preparing to become first time teachers.

The same report found that the training programs do not focus strongly on methods of teaching English. A typical master's program includes courses in: teaching reading and other subjects in the native language (20 percent of curriculum), culture and ethnic studies (19 percent), issues in bilingual education (16 percent), linguistics (8 percent), and teaching English to LEP children (7 percent). The report also found that only 52 percent of the participants in these programs actually became employed in the field of bilingual education.

In the past, the fellowship program provided support primarily to doctoral students. About 312 had graduated by 1982, about one-third the number expected if all had completed the program as planned (Merra, 1983). Since the program began, about 4,000 students have received these awards. A review of program data relating to past participants strongly suggests that many fellows do not obtain employment in fields directly related to education of LEP children.

Nineteen short-term training institutes, primarily for parent training, were funded in fiscal year 1985. Parent training courses include basic skills education, high school equivalency training, English-as-a-second language, language classes in the parent's native language, leadership training, parenting skills, computer literacy, American history and culture, and the American educational system. Some institutes also train teachers, administrators, and school board members.

In 1984, 16 multifunctional resource centers provided inservice training and technical assistance to schools throughout the country. The Department will complete a study during fiscal year 1986 which will provide information for improving the operation of the centers.

In 1983, approximately 8.6 percent of the Part A grants to school districts was invested in training. Based on data from the Classroom Instructional

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1987 Budget Proposal

Component Study (Development Associates, 1983), an estimated 5,300 local instructional personnel in school district projects receive some kind of inservice training each year.

For Part C, $33,566,000 is requested, $1,445,000 more than the 1986 level after sequestration. In Part C, the Department's top priority is training classroom teachers. Consequently activities will generally continue at their 1986 level, except for educational personnel training which will be significantly increased. This increase will provide training for approximately 15 additional projects at institutions of higher education to provide preservice and inservice training primarily for classroom teachers.

Despite the fact that a variety of studies show no significant unmet demand for new bilingual teachers, the Department believes that this situation is changing. Recent growth in the number of immersion programs has likely created an unmet demand for new teachers trained in that instructional method. Furthermore, recent demographic data signal a significant growth in the elementary and high school enrollment over the next 10 years. The language minority student population will likely grow at a somewhat faster rate than the student population as a whole.

For the educational personnel program, $18,266,000 is requested, $1,685,000 more than in 1986. At this level, an estimated 162 projects will be funded, 15 more than in 1986.

For the fellowship program, $3,000,000 is requested, $240,000 less than in 1986. At this level all current fellows will continue to receive their awards, but no new fellowships will be granted. Only a small percentage of the participants in this program are believed to complete their degrees and secure employment in fields directly related to educational services for LEP students. Rather than continuing this program at a high level; the budget would redirect these resources to other training activities more directly related to the education of LEP students.

For the training development and improvement activity, $200,000 is requested, the same as in 1986. Approximately four grants to institutions of higher education will be continued.

For short term training institutes, $2,100,000 is requested, the same as in 1986. At this level, approximately 20 institutes will be continued.

For multifunctional resource centers $10,000,000 is requested the same as in 1986. All 16 regional centers will be continued.

Bilingual Education

1. Bilingual education: c. Training grants

Impact Data	1985	1986 after Sequestering	1987
Educational personnel	$15,965,000	$16,581,000	$18,266,000
Number of projects	144	147	162
Fellowships	$5,000,000	$3,240,000	$3,000,000
Number of fellows	500	324	300
Education development	$200,000	$200,000	$200,000
Number of projects	8	4	4
Training institutes	$2,400,000	$2,100,000	$2,100,000
Number of projects	19	20	20
Multifunctional Centers	$10,000,000	$10,000,000	$10,000,000
Number of centers	16	16	16

DEPARTMENT OF EDUCATION

Immigrant Education

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Immigrant Education

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual....................	$30,000,000	$30,000,000	---
Sequester order...........	---	-1,290,000	---
Proposed rescission.......	---	-28,710,000	---
Total, adjusted appropriation...........	30,000,000	---	---

Immigrant Education

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. Immigrant education..............	$30,000,000	$28,710,000	---	---

NOTES

1. Reflects a proposed rescission of $28,710,000 for Immigrant Education.

NOTE.—Immigrant Education was appropriated in Bilingual Education in 1986; however, for budget presentation purposes, this activity is displayed as a separate account in for all years.

Immigrant Education

Budget Authority by Object

	1985	1986	1987
Grants, subsidies and contributions..............	$30,000,000	---[1/]	---

1/ Reflects a reduction of $1,290,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; and a proposed rescission of $28,710,000.

Summary of Changes

1986 Estimate..	$30,000,000
1986 Sequester order..	-1,290,000
1986 Proposed rescission.......	-28,710,000
Total estimated budget authority........................	---
1987 Request...	---
Net change......................	---

Immigrant Education

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. Immigrant education	Education Amendments of 1984, P.L. 98-511, Title VI	$40,000,000	$40,000,000

Immigrant Education

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1984	---	---	---	$30,000,000
1985	---	---	---	30,000,000
1986	---	$30,000,000	---	30,000,000
1986 Sequester	-$1,290,000			
1986 Proposed Rescission	-28,710,000			
1987	---			

Immigrant Education

Account Summary

	1985	1986	1987
1. Immigrant education...........	$30,000,000	---1/	---

1/ Reflects a reduction of $1,290,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; and a proposed rescission of $28,710,000.

The Immigrant education program is intended to assist school districts that have large numbers of recent immigrant students. The term immigrant excludes the children of U.S. citizens born abroad and the children of persons temporarily residing in the United States. While refugee and entrant children are included under this definition, awards to local school districts are reduced by an amount equal to that which they receive for services to these children from the transition refugee program authorized by the Refugee Act and for entrants under the Refugee Education Assistance Act. Awards can be used for any costs "directly attributable to the presence in the school districts of immigrant children." The program was first funded in fiscal year 1984, but many school districts reported that they were unable to obligate their 1984 awards during the subsequent fiscal year. Consequently the Congress extended the availability of these awards for obligation by school districts through the end of fiscal year 1986. Awards were also made in 1985.

The Department proposes to rescind the 1986 appropriation for this program and requests no funds for 1987. Eligible children in need of services can be served by other Departmental programs.

Immigrant Education

1. Immigrant Education
(Education Amendments of 1984, P.L. 98-511, Title VI)

1987 Authorization: $40,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$30,000,000	$28,710,000	---	---	---

Purpose and Method of Operation

The Immigrant Education program provides grants to school districts enrolling substantial numbers of recent immigrant students. Participation is limited to districts with 500 such students or where immigrant children represent at least 3 percent of the enrollment. Funds are channeled through State educational agencies. The program is current funded. However, funds appropriated and awarded in one fiscal year are generally used for activities carried out in the following fiscal year.

Accomplishments

Immigrant Education grants were made to 28 States in fiscal year 1984 and to 32 States in fiscal year 1985. Since these funds can be used for any purpose relating to the education of immigrant students, the Department has no basis for evaluating program impact.

1987 Budget Proposal

The Department proposes to rescind the 1986 appropriation for this program and requests no funds for 1987. The program constitutes general aid to school districts with substantial numbers of immigrant children. Immigrant children in districts served by this program are eligible to participate under other Federal programs if they are educationally disadvantaged or limited English proficient. Assistance under Chapter 1 of the Education Consolidation and Improvement Act of 1981 and Title VII of the Elementary and Secondary Education Act is sufficient to provide services to immigrant children who need them.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Number of States	32	32	---	---
Number of districts	416	416	---	---

Bilingual Education

Emergency Immigrant Education

State or Outlying Area	1985	1986 1/	1986 Revised	1987
TOTAL	$30,000,000	---	---	---
Alabama	---	---	---	---
Alaska	---	---	---	---
Arizona	311,720	---	---	---
Arkansas	---	---	---	---
California	14,229,071	---	---	---
Colorado	339,851	---	---	---
Connecticut	124,920	---	---	---
Delaware	---	---	---	---
Florida	586,636	---	---	---
Georgia	75,186	---	---	---
Hawaii	266,253	---	---	---
Idaho	---	---	---	---
Illinois	1,565,901	---	---	---
Indiana	---	---	---	---
Iowa	29,304	---	---	---
Kansas	72,010	---	---	---
Kentucky	---	---	---	---
Louisiana	206,872	---	---	---
Maine	---	---	---	---
Maryland	418,289	---	---	---
Massachusetts	654,883	---	---	---
Michigan	251,098	---	---	---
Minnesota	190,371	---	---	---
Mississippi	56,902	---	---	---
Missouri	50,217	---	---	---
Montana	---	---	---	---
Nebraska	---	---	---	---
Nevada	---	---	---	---
New Hampshire	---	---	---	---
New Jersey	748,554	---	---	---
New Mexico	97,317	---	---	---
New York	3,725,412	---	---	---
North Carolina	---	---	---	---
North Dakota	---	---	---	---
Ohio	350,079	---	---	---

Bilingual Education

Emergency Immigrant Education

State or Outlying Area	1985	1986 1/	1986 Revised	1987
TOTAL	$30,000,000	---	---	---
Oklahoma	---	---	---	---
Oregon	60,596	---	---	---
Pennsylvania	109,246	---	---	---
Rhode Island	223,161	---	---	---
South Carolina	---	---	---	---
South Dakota	---	---	---	---
Tennessee	70,782	---	---	---
Texas	3,638,451	---	---	---
Utah	112,762	---	---	---
Vermont	---	---	---	---
Virginia	557,608	---	---	---
Washington	361,425	---	---	---
West Virginia	---	---	---	---
Wisconsin	35,856	---	---	---
Wyoming	---	---	---	---
District of Columbia	254,955	---	---	---
Puerto Rico	224,312	---	---	---
American Samoa	---	---	---	---
Northern Marianas	---	---	---	---
Guam	---	---	---	---
Trust Territory	---	---	---	---
Virgin Islands	---	---	---	---

1/ Distribution of funds in fiscal year 1986 cannot be estimated until data from individual States are received.

THURSDAY, APRIL 10, 1986.

EDUCATION FOR THE HANDICAPPED

WITNESSES

MADELEINE C. WILL, ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES

CAROL A. CICHOWSKI, DIRECTOR, DIVISION OF SPECIAL EDUCATION, REHABILITATION AND RESEARCH ANALYSIS, OFFICE OF PLANNING, BUDGET AND EVALUATION

SUE E. BETKA, PROGRAM ANALYST, REHABILITATION AND RESEARCH ANALYSIS, OFFICE OF PLANNING, BUDGET AND EVALUATION

EDUCATION FOR THE HANDICAPPED—INTRODUCTION OF WITNESSES

Mr. NATCHER. At this time we take up the budget request for fiscal year 1987 for Education for the Handicapped. We have before the committee Mrs. Will, the Assistant Secretary for Special Education and Rehabilitative Services.

Mrs. Will, it is a pleasure to have you back again before our committee. Before you start, tell us whom you have with you there at the table.

Mrs. WILL. I have Carol Cichowski and Sue Betka, both with the Office of Planning, Budget and Evaluation in the Department of Education.

Mr. NATCHER. We are delighted to have all of you before the committee, and, Mrs. Will, we will be pleased to hear from you at this time.

STATEMENT OF MADELEINE C. WILL, ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES

Mrs. WILL. Mr. Chairman and members of the committee, we appreciate the opportunity to present the 1987 and revised 1986 budget requests for Education for the Handicapped.

The 1987 request of $1.3 billion includes $1.17 billion for State Grants to provide financial assistance to States in educating the handicapped children for whom they are responsible under the Education of the Handicapped Act, and $137 million for Special Purpose Funds, which support a wide variety of Federal grant and contract activities directed at improving the education of handicapped children.

The 1986 revised requests of $1.16 billion for State Grants and $142 million for Special Purpose Funds are about the same as the original 1986 request for these programs. The 1987 request for State Grants maintains funding for the handicapped State Grant

Program at the revised 1986 and 1985 appropriation level, while increasing support under the Preschool Incentive Grant program.

Most Special Purpose Fund programs will be maintained at their 1985 levels of funding. Significant changes in funding are proposed for only three Special Purpose Fund activities.

The proposed levels for Education for the Handicapped will allow us to continue support for the basic needs addressed by these programs, while also addressing the need to restrain Federal spending and control the deficit.

STATE GRANT PROGRAM

We have requested $1.14 billion for the handicapped State Grant Program in 1986 and 1987 to assist States in serving about 4.2 million handicapped children. Our request would provide an average Federal contribution of about $275 per child in 1986 and $273 per child in 1987. The request will cover about 7 percent of the average excess cost associated with educating handicapped children.

PRESCHOOL INCENTIVE GRANTS

For Preschool Incentive Grants, a 1987 increase of over $2 million from the 1986 postsequestration amount is requested, for a total of $31 million. This increase is intended to encourage States to expand preschool services and thus enhance the educational opportunities for very young disabled children to achieve their full potential. States may use these funds to increase services to children already being served or to serve additional children in the birth-through-two age range.

Together, these two formula grant programs, which are authorized by Part B of the Education of the Handicapped Act, constitute about 90 percent of our budget request.

SPECIAL PURPOSE FUNDS

Our 1987 request for Special Purpose Funds programs for the handicapped is $137 million, compared with a revised request of $142 million for 1986 and an appropriation of $157 million for 1985. Eight of the eleven programs in this area would be maintained in 1986 and 1987 at roughly their 1985 levels.

Three programs are proposed for reductions: Deaf-Blind Centers, Special Studies, and Special Education Personnel Development.

DEAF-BLIND CENTERS

The 1987 proposed level of $9 million for Deaf-Blind Centers is $3 million less than the revised 1986 request of $12 million and $6 million less than the 1985 level of $15 million. In accordance with the Education of the Handicapped Act Amendments of 1983, this program has shifted away from direct services toward providing technical assistance to States and service providers.

Funding for deaf-blind centers' direct services has been declining since 1983 as the States have assumed a greater role in serving children for whom they are responsible. Offsetting increases have been made for demonstration projects in various priority areas aimed at improving educational programs for deaf-blind children.

The 1986 decrease represents the last stage in the phase-down of funding for centers for direct services to children whom the States are required to serve.

Under the 1987 request, funding for demonstration projects would be reduced because of the weak response from the field to the demonstration competitions in the deaf-blind program over the past several years. There are not enough high quality demonstration applications submitted for this very small population to support the current level. Funding for direct services and technical assistance to States in 1987 would remain at about the same level as in 1986.

SPECIAL STUDIES

We are requesting $2 million for the Special Studies program in 1987. This is a reduction of $.2 million below the 1986 revised request and $1.2 million below the 1985 appropriation. We believe that this level of funding will support a strong program of evaluation, studies, and data analysis.

All studies necessary to carry out the Department's requirements for evaluation will be continued, including a longitudinal study of children leaving special education, a study of Federal, State, and local special education expenditures, and a study of day and residential facilities.

SPECIAL EDUCATION PERSONNEL DEVELOPMENT

For the Special Education Personnel Development program, we are requesting $48 million for 1987, compared with a 1986 revised level of $50 million and a 1985 appropriation of $61 million. The available data on personnel shortages do not support a need for a higher budget for this program. It is very difficult to focus resources on areas of personnel shortages due to a lack of information and understanding about the causes of shortages.

Many teachers who become certified to teach in special education do not teach in that field. Additional support for training programs will not necessarily alleviate these shortages when numerous factors other than supply enter into the picture. We are working to better identify what constitutes a shortage of personnel, how to identify a shortage, and how to focus resources in a way that will relieve the shortage.

SEVERELY HANDICAPPED PROJECTS

For Severely Handicapped Projects, $4.3 million is requested for 1987, the same as the revised 1986 request and the 1985 appropriation. These projects support demonstration, research, and training activities aimed at improving educational programs for severely handicapped children and youth. Grants are awarded in areas such as least restrictive environment, parental involvement, and supported work.

EARLY CHILDHOOD EDUCATION

We are requesting $22.5 million for the Early Childhood Education program in 1987, the same as the revised 1986 request and the

1985 appropriation. Program objectives in 1987 are to improve community involvement and interagency planning for preschool services at the State and local levels; to facilitate the entry of young handicapped children into regular classrooms; and to provide inservice training for personnel involved in serving these children.

In addition, 30 percent of the Early Childhood Education program funds will support State planning, development, and implementation grants in accordance with the Education of the Handicapped Act Amendments of 1983.

SECONDARY AND TRANSITIONAL SERVICES

The requested level for the Secondary and Transitional Services program is $6.3 million, slightly more than the revised 1986 request but the same as the 1985 appropriation. These funds will allow us to continue our efforts in improving the ability of older handicapped children to attain the skills necessary to live in the world of adults.

Funds will support research and demonstration projects, including projects which encourage cooperative planning by public agencies at the State and local levels. In addition, two long-term projects studying intervention effectiveness and demographics will be continued.

POSTSECONDARY PROGRAMS

For the Postsecondary Program, $5.3 million is requested, about the same level as the revised 1986 request and the same as the 1985 appropriation. Of this amount, $2 million will be used for the continued support of four institutions serving deaf students. Remaining funds will support new and continuing demonstration projects aimed at improving educational programs for postsecondary-age handicapped students.

INNOVATION AND DEVELOPMENT

For the Innovation and Development program, we are requesting $16 million, a small increase over the revised 1986 request level and the 1985 appropriation. New funding priorities will include developing and improving intervention strategies for seriously emotionally disturbed children and youth and examining ways of better serving handicapped children in regular classroom settings. Field-initiated and student research projects would also be supported in 1987.

MEDIA SERVICES AND CAPTIONED FILMS

The request for $16.5 million for Media Services and Captioned Films is slightly above the revised 1986 request and the 1985 appropriation. The majority of funds in this program support captioning activities, including educational and general interest films, television news, and general programming. Our request also supports research and development aimed at making educational technology useful in educating handicapped children.

RECRUITMENT AND INFORMATION

We propose to maintain the Recruitment and Information program at just over $1 million, the same as the revised 1986 request and the 1985 appropriation. This program supports two national clearinghouses required under the Education of the Handicapped Act that deal with the recruitment of educational personnel and dissemination of information concerning educational opportunities for the handicapped. New awards will be made in 1987 to continue these clearinghouses.

REGIONAL RESOURCE CENTERS

Finally, we are proposing to maintain the Regional Resource Centers at the revised 1986 request level and 1985 appropriation level of $6 million. Consistent with the amendments of 1983, the objective of these centers will continue to be the provision of technical assistance for States for capacity building, educational programming, and special education administration.

Thank you, Mr. Chairman. I will be pleased to answer any questions you have.

[Statement of Mrs. Will follows:]

DEPARTMENT OF EDUCATION

Statement by the Assistant Secretary for Special Education and Rehabilitative Services on Education for the Handicapped

Mr. Chairman and Members of the Committee:

We appreciate the opportunity to present the 1987 and revised 1986 budget requests for Education for the Handicapped.

The 1987 request of $1.3 billion includes $1.17 billion for State Grants to provide financial assistance to States in educating the handicapped children for whom they are responsible under the Education of the Handicapped Act, and $137 million for Special Purpose Funds which support a wide variety of Federal grant and contract activities directed at improving the education of handicapped children.

The 1986 revised requests of $1.16 billion for State Grants and $142 million for Special Purpose Funds are about the same as the original 1986 requests for these programs. The 1987 request for State Grants maintains funding for the handicapped State Grant Program at the revised 1986 and 1985 appropriation level, while increasing support under the Preschool Incentive Grants program.

Most Special Purpose Fund programs will be maintained at their 1985 levels of funding. Significant changes in funding are proposed for only three Special Purpose Fund activities.

The proposed levels for Education for the Handicapped will allow us to continue support for the basic needs addressed by these programs, while also addressing the need to restrain Federal spending and control the deficit.

State Grants

We are requesting $1.14 billion for the handicapped State Grant Program in 1986 and 1987 to assist States in serving about 4.2 million handicapped children. Our request would provide an average Federal contribution of about $275 per child in 1986 and $273 per child in 1987. The request will cover about 7 percent of the average excess cost associated with educating handicapped children.

For Preschool Incentive Grants, a 1987 increase of over $2 million from the 1986 postsequestration amount is requested, for a total of $31 million. This increase is intended to encourage States to expand preschool services and thus enhance the educational opportunities for very young disabled children to achieve their full potential. States may use these funds to increase services to children already being served or to serve additional children in the birth-through-two age range.

Together, these two formula grant programs, which are authorized by Part B of the Education of the Handicapped Act, constitute about 90 percent of our budget request.

Special Purpose Funds

Our 1987 request for Special Purpose Funds programs for the handicapped is $137 million, compared with a revised request of $142 million for 1986 and an appropriation of $157 million for 1985. Eight of the eleven programs in this area would be maintained in 1986 and 1987 at roughly their 1985 levels.

Three programs are proposed for reductions: Deaf-Blind Centers Special Studies, and Special Education Personnel Development.

Deaf-Blind Centers

The 1987 proposed level of $9 million for Deaf-Blind Centers is $3 million less than the revised 1986 request of $12 million and $6 million less than the 1985 level of $15 million. In accordance with the Education of the Handicapped Amendments of 1983, this program has shifted away from direct services toward providing technical assistance to States and service providers. Funding for deaf-blind centers' direct services has been declining since 1983 as the States have assumed a greater role in serving children for whom they are responsible. Offsetting increases have been made for demonstration projects in various priority areas aimed at improving educational programs for deaf-blind children. The 1986 decrease represents the last stage in the phase down of funding for centers for direct services to children whom the States are required to serve. Under the 1987 request, funding for demonstration projects would be reduced because of the weak response from the field to the demonstration competitions in the deaf-blind program over the past several years. There are not enough high quality demonstration applications submitted for this very small population to support the current level. Funding for direct services and technical assistance to States in 1987 would remain at about the same level as in 1986.

Special Studies

We are requesting $2 million for the Special Studies program in 1987. This is a reduction of $.2 million below the 1986 revised request and $1.2 million below the 1985 appropriation. We believe that this level of funding will support a strong program of evaluations, studies, and data analysis. All studies necessary to carry out the Department's requirements for evaluation will be continued, including a longitudinal study of children leaving special education, a study of Federal, State and local special education expenditures, and a study of day and residential facilities.

Special Education Personnel Development

For the Special Education Personnel Development program, we are requesting $48 million for 1987, compared with a 1986 revised level of $50 million and a 1985 appropriation of $61 million. The available data on personnel shortages do not support a need for a higher budget for this program. It is very difficult to focus resources on areas of personnel shortages due to a lack of information and understanding about the cause of shortages. Many teachers who become certified to teach in special education do not teach in that field. Additional support for training programs will not necessarily alleviate these shortages when numerous factors other than supply enter into the picture. We are working to better identify what constitutes a shortage of personnel, how to identify a shortage, and how to focus resources in a way that will relieve the shortage.

Severely Handicapped Projects

For Severely Handicapped Projects, $4.3 million is requested for 1987, the same as the revised 1986 request and the 1985 appropriation. These projects support demonstration, research, and training activities aimed at improving educational programs for severely handicapped children and youth. Grants are awarded in areas such as least restrictive environment, parental involvement, and supported work.

Early Childhood Education

We are requesting $22.5 million for the Early Childhood Education program in 1987, the same as the revised 1986 request and the 1985 appropriation. Program objectives in 1987 are to improve community involvement and interagency planning for preschool services at the State and local levels; to facilitate the entry of young handicapped children into regular classrooms; and to provide in-service training for personnel involved in serving these children.

In addition, 30 percent of the early childhood program funds will support State planning, development and implementation grants in accordance with the Education of the Handicapped Act Amendments of 1983.

Secondary and Transitional Services

The requested level for the Secondary and Transitional Services program is $6.3 million, slightly more than the revised 1986 request but the same as the 1985 appropriation. These funds will allow us to continue our efforts in improving the ability of older handicapped children to attain the skills necessary to live in the world of adults. Funds will support research and demonstration projects, including projects which encourage cooperative planning by public agencies at the State and local levels. In addition, two long-term projects studying intervention effectiveness and demographics will be continued.

Postsecondary Programs

For the Postsecondary Programs, $5.3 million is requested, about the same level as the revised 1986 request and the same as the 1985 appropriation. Of this amount, $2 million will be used for the continued support of 4 institutions serving deaf students. Remaining funds will support new and continuing demonstration projects aimed at improving educational programs for postsecondary-age handicapped students.

Innovation and Development

For the Innovation and Development program, we are requesting $16 million, a small increase over the revised 1986 request level and the 1985 appropriation. New funding priorities will include developing and improving intervention strategies for seriously emotionally disturbed children and youth, and examining ways of better serving handicapped children in regular classroom settings. Field initiated and student research projects would also be supported in 1987.

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Regional Resource Centers

Finally, we are proposing to maintain the Regional Resource Centers at the revised 1986 request level and 1985 appropriation level of $6 million. Consistent with the amendments of 1983, the objectives of these centers will continue to be the provision of technical assistance to States for capacity building, educational programming and special education administration.

Thank you, Mr. Chairman and Members. I will be pleased to answer any questions you may have.

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DEPARTMENT OF EDUCATION

Office of Special Education and Rehabilitative Services

Biographical Sketch

NAME : Madeleine C. Will

POSITION : Assistant Secretary for Special Education and Rehabilitative Services

BIRTHPLACE AND DATE : Hartford, Connecticut, August 9, 1945

EDUCATION : Hartford College for Women, 1965, A.A.
Smith College, 1967, B.A.
University of Toronto, 1969, M.A.

EXPERIENCE :

PRESENT : Assistant Secretary for Special Education and Rehabilitative Services

1982 : Member, Maryland Department of Mental Retardation and Developmental Disabilities Expansion Committee to develop criteria for selecting mentally retarded individuals at risk of immediate institutionalization to be placed in community-based programs.

1982 : Consultant, Rock Creek Foundation, Silver Spring, Maryland

1981 : Chairman, Government Affairs Committee, Maryland Association for Retarded Citizens

1981 : Founding Member, Real Rights

1979 : Chairman, Government Affairs Committee, Montgomery County Association for Retarded Citizens

1977 : Trustee, Hartford College, Hartford, Connecticut

1977 : Committee Member, Metro Area Council for Public Information and Advocacy

1975 : Board Member, Home Care Services for the Handicapped

1974 : Co-founder, Kensington Nursery School Sheltered Classroom

1970 : Editorial Assistant, American Enterprise Institute

LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION APPROPRIATIONS

Mr. NATCHER. Thank you, Mrs. Will.

Mrs. Will, as you probably have heard me say before, we need all the help that we can get on this subcommittee. Here we have the appropriations for all of the programs concerning health, all of the programs concerning education, and then the Department of Labor including manpower training programs. In other words all the programs, Mrs. Will, that are so close to the people. If there is an appropriation bill that could be called the people's bill, it is this one.

We have 13 appropriation bills, as you well know. The largest, of course, is defense, and this is the second largest appropriation bill. The money that we spend in this country for health and for education, I think, is money well spent.

You made a good statement. We appreciate your appearance, and we appreciate all of our visitors that we have with us this morning.

IMPACT OF FUNDING LEVELS

Mrs. Will, for 1986, an amount of $60,664,000 is being sequestered under this appropriation account. Most of these reductions are for advanced funded programs, but do you have any idea at this time how services to the handicapped children will be affected by the reductions? What would you say to the committee, Mrs. Will?

Mrs. WILL. The reductions still represent a 2.2 percent increase over 1985 levels. The 1986 revised level and the 1987 budget requests are virtually level funding.

Mr. NATCHER. As you know, Mrs. Will, we agreed upon the sum of $1.4 billion for Education for the Handicapped for fiscal year 1986. I believe the budget request before the committee now is for $1.3 billion, a reduction of approximately $107 million. Is that about right?

Mrs. WILL. Yes.

Mr. NATCHER. Won't these reductions result in less services to the handicapped children?

Mrs. WILL. Mr. Chairman, the education of handicapped children is supported primarily by States and localities. The Federal reduction in terms of the basic State Grant Program will mean a reduction of $2 per child from the revised 1986 level to the 1987 request. That means two less Federal dollars per child, from $275 to $273, and we feel that there will be no impact in terms of direct services to the handicapped students.

Mr. NATCHER. Mrs. Will, if you will, we would like for you to contact five or six States, talk to the officers in these particular States, and find out how they plan to absorb these reductions and place a statement in the record of their responses, if you would, please.

Mrs. WILL. Yes, I will be happy to do that, Mr. Chairman.

[Material to be supplied follows:]

STATE SPECIAL EDUCATION DIRECTORS SURVEY

The Acting Director of the Office of Special Education Programs contacted the State Directors in 5 States to see how their States would absorb the reduction in funds if the administration's recommendation of $1.14 billion for fiscal year 1987 were enacted.

Indiana—Mr. Gilbert Bliton indicated that the decrease would be absorbed at the local level; that for most schools it would not be enough of a reduction to cause a problem.

Kansas—Mr. Jim Marshall indicated his State had anticipated a major cut under Gramm-Rudman-Hollings. This small amount would not cause a problem in Kansas.

Tennessee—Ms. JoLeta Reynolds indicated Tennessee would support the administration's proposed level because all programs will have to accept some cuts if we are to reduce the Federal deficit. She indicated that supplementary services and staff development activities would be affected by the reduction.

Maryland—Ms. Martha Fields indicated that, while the reduction is not a lot of money, there would be an impact on administrative services. She indicated that some services would be lost.

Ohio—Mr. Frank New indicated that locals would be required to make up the cut with local revenues and that this would be difficult for the three major cities, Columbus, Cincinnati and Cleveland. He said there would also be a reduction in funds for regional sources commensurate with the amount of reduction in Federal funds.

RESCISSIONS

Mr. NATCHER. For 1986, you are also proposing rescissions for ten separate programs totalling $44,364,000. These rescissions are about to expire, as you know. For the record, describe the schedule and the actions planned to obligate these funds during the balance of the fiscal year. Would you place that in the record for us?

Mrs. WILL. Yes, Mr. Chairman.

[Material to be supplied follows:]

TIMING OF AWARDS

We expect to meet the award timelines initially established in October 1985 for the obligation of fiscal year 1986 program funds at the sequestration level for all handicapped State Grants and Special Purpose Funds programs. In general, the planning schedule for discretionary grants calls for award of continuations prior to new grants. To date, approximately 80 percent of continuation grants have either been awarded or have completed negotiations and are nearing final award. Applications for new awards are completing their panel review stage, which lasts from mid-February through mid-April in most programs. We expect that new awards, which comprise about 35 percent of program dollars will be made as scheduled during the months of June through September, 1986. State Grant Program and Preschool Incentive Grant awards will be made as usual during the first week of July.

STATE GRANT PROGRAM

Mr. NATCHER. For 1987, you are requesting $1,135,154,000 for the basic State Grant Program. This is the same amount that was appropriated, as you know, for 1985. How will the States be able to maintain services to handicapped children without an increase to cover the cost of inflation over the 3-year period, Mrs. Will?

Mrs. WILL. Mr. Chairman, again, we basically feel that the program is very effective and a very popular program and that the States have exhibited a willingness to support the program.

Our requests are made in the interest of budgetary constraints, but we do believe that the impact will be minimal.

CHILD COUNTS

Mr. NATCHER. What is the trend in the number of children served by your program for the handicapped?

Mrs. WILL. There are now roughly 4.2 million handicapped students counted under the State Grant Program.

Mr. NATCHER. Increasing or decreasing, Mrs. Will?

Mrs. WILL. It has gone up very significantly since the act was enacted 10 years ago. However, where we initially saw a rather substantial increase, we are now beginning to see a virtual leveling off or modest increases from year to year.

LEARNING DISABLED CHILD COUNT

Mr. NATCHER. Is the increase in the number of children served largely occurring in the category of learning disabled?

Mrs. WILL. Yes, but again, that child count, which is now approximately 1.8 million, has been leveling off. Last year we saw a very slight increase, and again this year we are projecting another slight increase, which leads us to speculate that the learning disabled count itself may be stabilizing.

LEARNING DISABLED INITIATIVES

Mr. NATCHER. What progress have you made in identifying and serving children with learning disabilities? If you remember, last year, we asked for a report on this matter. What can you tell us at this time, Mrs. Will?

Mrs. WILL. We are very pleased with the progress that has been made in serving learning disabled youngsters and have a number of activities planned for this year and next year.

We have been requested to create or participate in two interagency committees to look at the problems relating to serving learning disabled children. However, we are attempting to eliminate duplication by collapsing the two interagency groups into one.

We have established a task force in the Department which is looking at the problem of serving children with learning problems. It has made some recommendations to us, and we are going to publish a report in the not-too-distant future, I hope.

In addition, we have identified a number of funds in discretionary programs which can be targeted to either create model programs for learning disabled children or investigate specific research questions which need to be answered.

Mr. NATCHER. This report that you mentioned, Mrs. Will, will be this be published?

Mrs. WILL. Yes, it will.

COST OF LEARNING DISABILITIES REPORT

Mr. NATCHER. Do you have any idea as to the cost of the report?

Mrs. WILL. I think it varies substantially with the number of printed copies. We have not even arrived at the point of thinking about printing. We have only been looking at drafts of the report, and we would decide on the number of printed copies later.

Mr. NATCHER. Sixty thousand? Fifty thousand?

Mrs. WILL. Oh, I would think it would be less than that.

Mr. NATCHER. The reason I asked you this question, Mrs. Will, within the last few days, we have had a witness appear before this committee who has discussed with us a report that has been recently issued by the Department. Our information is this report will cost $800,000; about $400,000 is now expended and probably there will be $400,000 more.

The questions propounded in the report and the suggestions made have been long known by the people. As one of our committee members pointed out, every parent-teacher association knows what is in that report and has, long before it was printed for $800,000.

What do these reports cost?

Mrs. WILL. The particular report I mentioned has a development cost of about $5,000. We don't expect any additional expenses. It will be available from the Government Printing Office.

Mr. NATCHER. All right.

MONITORING OF STATES

What is the status, Mrs. Will, of your efforts to improve the monitoring by States of education services for handicapped children under Public Law 94-142?

Mrs. WILL. Mr. Chairman, we have undertaken an extensive revision of the monitoring system and are very pleased with the progress that has been made to date. We are in the process of monitoring 11 States this year. We have a monitoring system which examines data off-site, involves site visits to the States with interviews of various education administration officials, and visits to schools to look at samples of Individualized Education Programs and other forms of documentation.

We have developed several monitoring manuals and will continue to develop more to be used in the monitoring system. In addition, a component of the monitoring system called specific compliance reviews allows us to examine a State when there may be a question of a significant systemic problem.

Mr. NATCHER. What problems, if any, have you encountered in the development of the monitoring manuals which you have just mentioned?

Mrs. WILL. We have engaged in extensive review of the monitoring manuals with interested parties, education officials, members of congressional committee staff, with parent groups and consumer groups. We have, I think, felt a need to make very clear that the monitoring manuals do not represent additional burdens and increased requirements on the States, but that, rather, we are asking the States to meet the requirements specified in Public Law 94-142.

We have worked with the States to develop creative ways of reducing any possible paper burden and they have made suggestions that we have incorporated into the monitoring system. We will continue to review the manuals, and we will seek as much input as we can in the course of our monitoring cycle.

LEAST RESTRICTIVE ENVIRONMENT

Mr. NATCHER. Have you developed a new definition for the term "least restrictive environment"?

Mrs. WILL. No, we have not. We believe that our monitoring manual incorporates statutory and regulatory requirements. With respect to the least restrictive environment, the statute and the regulations indicate that a child's placement is an individual decision based on the development of the Individualized Education Program, which should be reviewed on an annual basis. Further, there should be a continuum of options for alternative placements, available to students at the local level. That is the core of our least restrictive environment manual.

MONITORING

Mr. NATCHER. If the States do not conform to the standards set forth in the monitoring manuals, what action would your office take? Reduce the grant? What would you do, Mrs. Will?

Mrs. WILL. The standards in the monitoring manuals represent one method the States may use to meet a requirement or requirements in Public Law 94-142. If, after a completed monitoring review, a State was found in noncompliance, there would be the option of reducing funds or disapproving a State plan.

However, we have, in the history of Public Law 94-142, been able to work very cooperatively with States to negotiate corrective actions which have been implemented.

Mr. NATCHER. Mrs. Will, we want to thank you for your appearance before the committee at this time in behalf of your budget request for fiscal year 1987 for Education for the Handicapped.

Mrs. WILL. Yes, sir.

[The following questions were submitted to be answered for the record:]

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PRESCHOOL INCENTIVE GRANTS

Mr. Natcher: One of the few program increases requested in the 1987 budget is $2,290,000 for Preschool Incentive Grants. Why was this program singled out for increased funding?

Mrs. Will: The proposal to increase funding for preschool services is consistent with the Secretary's goal of improving preschool services for handicapped children, and underscores my own priority in this area. Effective preschool programs have proven to be significant in helping handicapped children. The increase in the incentive grant program is intended to encourage States in this effort.

Mr. Natcher: Do you think this program is serving all of the preschool handicapped children who could benefit from special educational services?

Mrs. Will: This program does not, and is not intended to, serve all preschool handicapped children who could benefit from special education services. However, it is intended to encourage the expansion of services to these children. In accordance with the Education of the Handicapped Act Amendments of 1983, we are obtaining additional information for a report which describes the status of special education and related services to handicapped children from birth through five years of age in each State.

Mr. Natcher: What steps are you taking to coordinate Preschool Incentives Grant programs with the Early Childhood programs under Part C of the basic law?

Mrs. Will: We have taken several steps to improve the coordination of the Preschool Incentive Grants program and the Early Childhood Education program under Part C of the Education of the Handicapped Act. During the past year, administrative and monitoring responsibility for these two programs was consolidated under the same program staff within the Special Education Programs, Division of Innovation and Development. All annual plans submitted by States for the Preschool Incentive Grants program will now be reviewed by the same staff which reviews and monitors the demonstration and State plan grants under Part C. In addition, program funding priorities for early childhood activities across Education for the Handicapped programs are reviewed annually by a management team consisting of the Director of Special Education Programs and the directors of the five program divisions within the Special Education Programs office. This ensures that program activities which relate to early childhood education are carried out in a coordinated manner. Other programs which support early childhood activities include the Innovation and Development, the Regional Resource Centers, and the Special Education Personnel Development programs.

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EARLY CHILDHOOD EDUCATION

Mr. Natcher: Is the Early Childhood Education program primarily a demonstration program?

Mrs. Will: Although about half of the fiscal year 1986 Early Childhood Education appropriation will support demonstration projects, there has been a marked shift in program emphasis away from demonstration projects toward more directed activities aimed primarily at helping States plan and implement coordinated services for preschool aged children. In addition to supporting demonstration projects in fiscal year 1986, this program will support outreach projects; State plan grant projects; research institutes; and technical assistance projects.

Mr. Natcher: How much of the Early Childhood program for 1987 would be related to dissemination activities?

Mrs. Will: There are two main strategies in the Early Childhood Education program which relate to dissemination of successful practices and programs. The first one is the outreach component which will support about 22 grants in fiscal year 1987. Outreach projects have as their primary goal the demonstration and dissemination of proven educational programs and techniques. In addition, all grantees under the demonstration competitions will be required to devote a portion of their grant funds to dissemination of their results and products to individuals, professional groups, and State and local service agencies. Approximately 60 demonstration projects will be active during fiscal year 1987.

DEAF-BLIND CENTERS

Mr. Natcher: The 1987 budget request for Deaf-Blind Centers is $9,000,000, a reduction of $5,119,000 from the 1986 funding level. How many centers are now funded and how many do you plan to fund in 1987?

Mrs. Will: In fiscal year 1985, 22 single-State and 8 multi-State projects were funded under this program. In fiscal year 1986, 31 single and 7 multi-State projects will be awarded. Because there has been a trend toward single-State projects as opposed to participation in regional centers, we expect that the actual number of awards will increase to about 45 for fiscal year 1987.

Mr. Natcher: Would the number of centers planned for 1987 be readily accessible to all deaf-blind children throughout the country?

Mrs. Will: The centers are distributed throughout the country to ensure accessibility of all children to services.

Mr. Natcher: Is the number of deaf-blind children increasing or decreasing? To what extent?

Mrs. Will: We do not have accurate information on the number of deaf-blind children. Large numbers of rubella deaf-blind

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children currently being served are now reaching 22 years of age and will no longer be eligible for educational services. However, there may be an increase in other visually and auditorially dysfunctional children who are being saved from death through application of advanced medical technology.

Mr. Natcher: What is your estimate of the amount of Basic Grant funds that are being used by States to serve deaf-blind children?

Mrs. Will: We do not have information on how much of the State Grant Program funds are now being used by States to serve deaf-blind children. Although each deaf-blind child counted under the program generates a "per child" Federal contribution, States are not required to apply these same funds toward services for those same children who were counted. State and local governments are primarily responsible for providing and funding the free appropriate education of all handicapped children. It makes little difference from our perspective which child ultimately receives which Federal, State, or local dollar.

Mr. Natcher: Are deaf-blind children also being served under the separate program for the "severely handicapped"?

Mrs. Will: Because deaf-blind children are by definition severely handicapped, they are eligible to be included under the Severely Handicapped program activities authorized under section 624 of Part C.

POSTSECONDARY PROGRAMS

Mr. Natcher: For Postsecondary Programs, the budget request is $5,300,000. For the record, provide a few examples of program models for handicapped students that have been developed under this program.

Mrs. Will: The following are three examples of program models for handicapped students that have been developed by Postsecondary Programs:

- The City University of New York, New York

  The Graduate School and University Center of the City University of New York has developed the New York City Job and Career Center, which has provided assistance concerning postsecondary opportunities, and has established effective linkages between the public school system, postsecondary educational institutions, and public and private organizations. Among the last group are the Private Industry Council (PIC), Federation Employment and Guidance Services, the Rusk Insitutute, Job Path, and the Young Adult Institute. The Mayor's Office of Economic Development also provides support for the Center, which is housed in a building of the New York State Department of Labor's Job Service. Hundreds of youngsters come to the Center on daily scheduled visits.

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o Wright State University, Dayton, Ohio

The Office for Disabled Students at Wright State University is serving 100 severely/multiply disabled students from the 17 institutions that comprise the consortium of the Southwestern Ohio Council for Higher Education. Students will be exposed to a nontraditional career planning process that includes cooperative education, and part-time and/or summer employment during a career awareness process. At least 15 major employers will be contacted to establish job opportunities for disabled participants. "Career Planning for the Disabled Student" and "Implementing Career Decisions" are two courses that have been offered this year. Workshops are offered for potential and current employers, vocational rehabilitation counselors, college and university personnel, and national organizations that deal with postsecondary disabled students.

o St. Paul Technical Vocational Institute, Minnesota

One of the four centers serving deaf students, the St. Paul Technical Vocational Institute, has had its deaf student component since 1975, when it received its first Federal funding. Service to deaf students who are in classes and shops with hearing peers, comes through interpreters, notetakers, and tutors. Student counselors familiar with deafness provide necessary services, including admissions and coordination with vocational rehabilitation service providers.

REGIONAL POSTSECONDARY PROGRAMS

Mr. Natcher: In a recent study, the General Accounting Office found that the four regional Postsecondary Programs for the deaf could serve 340 more students at a cost of $1.5 million. Why shouldn't the budget for these programs be increased to accommodate more students?

Mrs. Will: Federal support for basic services at specific institutions serving deaf students is not generally a preferred method for encouraging the education of deaf students. It gives favored status to some schools over other schools serving deaf students and tends to work against providing services in the least restrictive environments. Support for students who require it is available through rehabilitation services programs on an individual basis.

Mr. Natcher: Why is the cost of educating deaf students at these four regional schools less than half the cost of educating deaf students at Gallaudet College or the National Technical Institute for the Deaf?

Mrs. Will: Gallaudet College and the National Technical Institute for the Deaf have higher costs, in part, because they conduct other activities such as research, public information, public service and teacher training, as well as serving as models. When the costs of these services are excluded from the total per student figures, the differences are not as great but they are

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significant. In addition, Seattle Community College, St. Paul Vocational Technical Institute, and the University of Tennessee Consortium serve a different population than Gallaudet College, the National Technical Institute for the Deaf, and California State University at Northridge. The latter three serve four year degree bound students including those at the graduate level. The General Accounting Office statement before the Subcommittee on the Handicapped on February 21, 1986, indicated that when similar services to students are compared, the total per student cost was: Gallaudet, $15,941; National Technical Institute for the Deaf, $14,674; California State University at Northridge, $12,415; Seattle Community College, $12,040; St. Paul Vocational Technical Institute, $9,809; and the University of Tennessee Consortium, $7,666. We intend to analyze further these cost disparities for similar services.

SECONDARY AND TRANSITIONAL SERVICES

Mr. Natcher: What have been the results of your recent major initiative in the area of transition services?

Mrs. Will: Transition activities in the Office of Special Education and Rehabilitative Services are conducted under both the Rehabilitation and the Education of the Handicapped Acts. State Vocational Rehabilitation agencies are major contributors to the networks of services being developed at State and local levels to assist in the transition from school to work. Staff members of State Vocational Rehabilitation agencies have been active participants in the ongoing efforts to plan and provide transition services. The Rehabilitation Services Administration Regional Offices have been conducting intensive program development activities to assist in the establishment and coordination of transition services and will continue to do so as these activities evolve.

The great majority of the directly-funded transition activities supported by the Office of Special Education Rehabilitative Services have been under the authority of the Education of the Handicapped Act.

The special education transition program under section 626 of the Education of the Handicapped Act is entering its third year of support for research and demonstration projects. The purpose of the program is to assist handicapped youth in the transition from school to postsecondary environments such as competitive or supported employment. This purpose is carried out through the provision of assistance to projects that:

(1) strengthen and coordinate education, training and related services that assist handicapped youth in the transition to employment, postsecondary education, vocational training, continuing education or adult services; and

(2) stimulate the improvement and development of programs for secondary special education.

During fiscal year 1984 the Department of Education funded 34 demonstration projects to develop and demonstrate solutions to

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specific problems related to this area. The demonstration projects emphasize the implementation of strategies to improve the ability of service providers to assist handicapped individuals to make the transition to adult and working life. In fiscal year 1985 we funded an additional 18 cooperative planning projects.

In fiscal years 1984 and 1985, we have supported 19 research projects to develop strategies and techniques for transition to independent living, vocational training, and postsecondary education. Additionally, we will be supporting two research institutes which will (1) conduct long-term programmatic research focused on handcapped students' development skills needed for community living and working, and (2) determine the effectiveness of various model projects.

Mr. Natcher: What changes need to be made in providing secondary and transition services to the handicapped?

Mrs. Will: Special education programs should become more targeted toward the goal of preparing handicapped youth to become well adjusted, suitably employed members of our communities. Programs at the secondary school level should be evaluated to determine the extent to which they are preparing indivudals for community life. Many handicapped youth are participating in academic programs which do not focus on training and employment activities to prepare them for community life. Increased access to vocational education and other programs geared toward independent living should enable more handicapped youth to leave the secondary schools prepared for entry into community life.

Some students exit or "age out" of secondary schools and are in need of continued programs and services to enable them to achieve community integration. As severely handicapped students leave the education system, parents and professionals seek out other human service agencies in an attempt to enroll students in community programs that will provide continued training. Unfortunately, programs are often difficult to locate, and public schools are frequently unable to refer exiting students to appropriate service providers. Adult services are often characterized by a confusing array of service providers, differing eligibility requirements, and long waiting lists. Coordination between public schools and human service agencies providing adult services must be strengthened in order to ensure a continuum of community services for handicapped youth. Model State efforts include the Chapter 681 legislation in Massachusetts which has established a single point of entry into adult services for the handicapped.

MEDIA SERVICES AND CAPTIONED FILMS

Mr. Natcher: To what extent are private contributions supporting captioning television and films?

Mrs. Will: Approximately 50 percent of the total support for captioned television comes from private sources. However, support for captioned films comes entirely from public sources.

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Mr. Natcher: What can be done to encourage private industry--networks, advertisers, movie producers--to pay a greater share of captioning costs?

Mrs. Will: We have achieved considerable success in promoting the captioning of television by demonstrating, through initial Federal support, the viability of captioning a wide variety of television programming for hearing-impaired persons. We have negotiated with television networks to increase their own support for this activity. In fiscal year 1987, we plan to increase our expansion efforts through a grant program which would provide funds for the start-up of local or regional level captioning activities with a provision that private-sector support be solicited to carry on the activities after Federal support ends.

Mr. Natcher: Do you believe that the need for Federal support will diminish as closed captioning becomes more accessible to deaf households?

Mrs. Will: We believe that the need for Federal support will diminish as closed captioning becomes more accessible to deaf households.

Mr. Natcher: How soon might a phase-out of Federal aid be possible?

Mrs. Will: We are not certain that a total phase-out would be possible.

SPECIAL EDUCATION PERSONNEL DEVELOPMENT

Mr. Natcher: For Special Education Personnel Training, the budget proposed $48 million, a reduction of $13 million from 1986. What do you see as the area of greatest need in the supply of Special Education Personnel? Classroom instructors, administrators, preschool? What would you say?

Mrs. Will: Available data suggest that the field is facing shortages in a number of areas. Data from the National Center for Educational Statistics suggests there is still unmet demand for special education teachers. However, indications of shortages for classroom teachers vary considerably from State to State, and between rural and urban areas. Other data indicate an especially great need for related services personnel. Substantial increases in State programs and services at the upper and lower age range suggest growing needs for both early childhood specialists and personnel to work at the secondary and postschool level. We also see a great need for regular educators to be trained to participate more fully in the education of integrated handicapped children.

Mr. Natcher: Do you have any estimates of State or local funding being used for Personnel Training?

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Mrs. Will: No, we do not have any data on which to base estimates of State or local funding for personnel training. We do know that the single largest use of the 25 percent State set-aside under the Part B State Grant Program is for personnel training.

Mr. Natcher: Your budget refers to efforts being made to identify the shortage of personnel. Briefly describe these efforts and tell us when you expect to have information on this program?

Mrs. Will: Soon we will receive a report on a recently completed project which surveyed all of the States with regard to teacher supply and demand. We have also been trying to work more closely with the National Center for Education Statistics so that their data collection efforts will be more useful. We have considerable data relating to personnel at present and we will be continuing to collect data on this issue. However, we cannot predict at this time when or whether this data can be consolidated to provide an accurate picture of shortages which we can use in allocating resources under the Special Education Personnel Development program.

LEARNING DISABILITIES

Mr. Roybal: What steps has the Department taken toward transferring the functions of the Interdepartmental Committee on Research in Learning Disabilities to the Interagency Committee on Learning Disabilities established by the National Institute of Health under the Health Research Extension Act?

Mrs. Will: The National Institute of Health Interagency Committee on Learning Disabilities is scheduled to have its first meeting on April 29, 1986. At that meeting, the Department of Education's official representative will discuss the Interdepartmental Committee on Research on Learning Disabilities and how the groups can be integrated to avoid duplicative efforts.

Mr. Roybal: The National Institute of Health Interagency Committee on Learning Disabilities has a narrower research focus than the Interdepartmental Committee on Research in Learning Disabilities.

How will the Secretary ensure that this National Institute of Health Committee will address the broader problems associated with learning disabilities that the House Appropriations Committee requested the Secretary of Education to investigate and coordinate?

Mrs. Will: The Department of Eduucation's official representative to the National Institute of Health Interagency Committee on Learning Disabilities will keep that group apprised of the relevant activities being supported by the Department of Education and other Federal agencies. He will also bring to the committee a broader perspective on problems related to learning disabilities. In addition, it may be possible to broaden the perspective of the Interagency Committee on Learning Disabilities through the participation of other Federal agencies, parents, and professionals.

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STATE GRANT PROGRAM

Mr. Early: Under your fiscal year 1987 request for State Grants, the Federal Government would be covering 7 percent of the estimated excess cost of educating a handicapped child, because the average payment per pupil would be $273. How do those figures compare to the fiscal year 1986 postsequestration funding level?

Mrs. Will: After sequestration, the Federal contribution under the State Grant Program would be about $281 per handicapped child based on a current estimate of 4,133,000 handicapped children served. This is still about 7 percent of the excess cost for services to handicapped children.

Mr. Early: If we were to appropriate $1.215 billion for fiscal year 1987, the same as the fiscal year 1986 enacted level, what would the estimated number of children served be, the average per pupil payment, and the percentage of the excess cost?

Mrs. Will: The number of children served is based on the number of children identified by the States as requiring services and does not fluctuate with Federal funding levels. We estimate that this number will be 4,152,000 in 1987. This would mean an average Federal contribution of $293 per child or 7.4 percent of the estimated excess cost.

Mr. Early: Last year you told us the excess cost of educating a handicapped child was estimated to be $3,725 for fiscal year 1986. Did your fiscal year 1986 estimate change?

Mrs. Will: Based on the most recent data on actual State and local expenditures and our current estimates on inflation, our current estimate of excess cost for fiscal year 1986 is $3,824.

PRESCHOOL INCENTIVE GRANTS

Mr. Early: By recognizing the benefits of early intervention and requesting a $2.290 million increase for the Preschool Incentive Grants program, are you encouraging States to serve more children from birth to two years?

Mrs. Will: States may use Preschool Incentive Grants funds to serve children birth through two. We encourage this use. In this year's preschool incentive grant application, States are required to provide information which includes goals and objectives for meeting the educational needs of handicapped children birth through five.

Mr. Early: From the information you are receiving from the States, are more of the very youngest children being served?

Mrs. Will: We have not yet received complete data from States on the extent to which the very youngest children are being served. The Education of the Handicapped Act Amendments of 1983 required that States report on the status of special education and related services to handicapped children from birth through five years of age. We will provide the results of these reports in the Annual Report to Congress.

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Mr. Early: Has there been sufficient evidence to evaluate the benefits of reaching a child at this age?

Mrs. Will: Preliminary results from our research efforts supported over the last three years indicate that in many cases there are positive benefits from reaching children at the earliest possible age. We have established a research institute to further study the benefits of early intervention.

DEAF-BLIND CENTERS

Mr. Early: Last year you indicated that the Department was in the process of collecting data on the specific age ranges of the children served in the centers. What can you tell us this year about the children the centers program serves? In total, how many children are being served, what are their ages, and what types of direct services are provided them?

Mrs. Will: We have not yet finished compiling the results of our study.

Mr. Early: Could you give us a sample of the types of direct services which would be eliminated under the Deaf-Blind Centers program as a result of the proposed fiscal year 1987 budget reductions?

Mrs. Will: Under the Education of the Handicapped Act the responsibility for providing direct services to deaf-blind children rests with the States. The proposed reduction in the deaf-blind program would not result in decreased direct services to these children. The fiscal year 1987 reduction will be in the demonstration component of the deaf-blind program.

Mr. Early: How many Deaf-Blind Centers will be supported at the fiscal year 1986 postsequestration level?

Mrs. Will: There will be 31 single-State projects and 7 multi-State projects funded in fiscal year 1986.

Mr. Early: Provide a list of the centers.

Mrs. Will: The following deaf-blind centers have been funded in fiscal year 1986:

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DEAF-BLIND CENTER GRANTEES

Single State Projects

1. Alaska
2. California
3. Colorado
4. District of Columbia
5. Guam
6. Kansas
7. Kentucky
8. Louisiana
9. Maryland
10. Michigan
11. Mississippi
12. Missouri
13. Montana
14. New Jersey
15. New York
16. North Carolina
17. Oregon
18. Rhode Island
19. Texas
20. Utah
21. Virginia
22. West Virginia
23. Arkansas
24. Delaware
25. Georgia
26. Indiana
27. Minnesota
28. New Hampshire
29. Puerto Rico
30. Vermont
31. Virgin Islands

Multi-State Projects

1. Alabama School for the Deaf-Blind
2. Arizona School for the Deaf-Blind
3. Hawaii State Education Agency
4. Perkins School
5. Ohio State University
6. South Dakota State Education Agency
7. Washington State Education Agency

DEAF-BLIND CENTERS

Mr. Early: How many would be supported under the fiscal year 1987 request?

Mrs. Will: We anticipate that about 37 single and 7 multi-State projects will be funded in fiscal year 1987. This estimate assumes that approximately 6 additional States will elect to apply for single State awards and withdraw from their involvement in a multi-State project.

Mr. Early: For the record, provide a table displaying the total amount of support the individual deaf-blind centers are receiving.

Mrs. Will: A summary of fiscal year 1986 funding for deaf-blind centers follows:

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DEAF-BLIND CENTER FUNDING

	Single State Projects	Fiscal Year 1986
1.	Alaska	$ 123,000
2.	California	251,000
3.	Colorado	89,000
4.	District of Columbia	61,000
5.	Guam	16,000
6.	Kansas	87,000
7.	Kentucky	151,000
8.	Louisiana	67,000
9.	Maryland	230,000
10.	Michigan	113,000
11.	Mississippi	158,000
12.	Missouri	130,000
13.	Montana	73,000
14.	New Jersey	416,000
15.	New York	722,000
16.	North Carolina	296,000
17.	Oregon	233,000
18.	Rhode Island	57,000
19.	Texas	251,000
20.	Utah	109,000
21.	Virginia	104,000
22.	West Virginia	65,000
23.	Arkansas	76,618
24.	Delaware	59,000
25.	Georgia	188,000
26.	Indiana	100,000
27.	Minnesota	130,000
28.	New Hampshire	45,000
29.	Puerto Rico	130,000
30.	Vermont	16,000
31.	Virgin Islands	26,000
	Subtotal	4,572,618

	Multi-State Projects	
1.	Alabama School for the Deaf-Blind	929,000
2.	Arizona School for the Deaf-Blind	72,000
3.	Hawaii State Education Agency	112,000
4.	Perkins School	502,000
5.	Ohio State University	763,000
6.	South Dakota State Education Agency	295,000
7.	Washington State Education Agency	94,000
	Subtotal	2,767,000
	Total	7,339,618

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SPECIAL EDUCATION PERSONNEL DEVELOPMENT

Mr. Early: How was the proposed reduction of $1.9 million, as compared to the revised fiscal year 1986 level, for Special Education Personnel Deparmtment arrived at?

Mrs. Will: The proposed reduction for the Special Education Personnel Development program was based on an analysis of the Department's priorities in light of the need to reduce Federal spending and control the deficit. The available data on personnel shortages do not support a need for a continuation of the current level of funding given higher priority acitvities.

Mr. Early: What percentage of the Special Education Personnel Development awards are made to higher education institutions?

Mrs. Will: About 76 percent of Special Education Personnel Development awards are made to institutions of higher education.

Mr. Early: For the record, provide a list of the Massachusetts higher education institutions receiving Personnel Development awards for fiscal year 1985 -- use fiscal year 1986 if available -- and indicate the amount of the awards.

Mrs. Will: The following eight higher education institutions located in Massachusetts received grants in fiscal year 1985:

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MASSACHUSETTS HIGHER EDUCATION GRANT RECIPIENTS -- FISCAL YEAR 1985

1. Boston University:	$ 61,500
	55,501
	61,764
	69,742
	54,000
	39,000
	55,006
	74,563
Subtotal	471,076
2. Univ. of Massachusetts:	91,000
	77,718
	135,896
	56,901
	48,870
	53,408
Subtotal	463,793
3. Boston College:	149,964
	37,500
	88,858
Subtotal	276,322
4. Wheelock College:	118,822
	78,030
Subtotal	196,852
5. Assumption College:	63,153
	89,278
Subtotal	152,431
6. Bridgewater State College:	137,808
7. Smith College:	135,378
8. Regis College:	49,864
Total	1,883,524

SPECIAL EDUCATION PERSONNEL DEVELOPMENT

Mr. Early: The justification indicates the Personnel Development projects are usually supported for up to three years. Is three years the maximum number of years a particular program can be supported?

Mrs. Will: Under current program regulations, the maximum length of a grant is five years.

Mr. Early: Are there many higher education institutions which have been receiving funds for longer than three years?

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Mrs. Will: While most grants are for three years, many institutions have been recipients of repeated grants for support of special education training. A few institutions have received funding since the program began in 1958.

Mr. Early: How many grant applications have been received for fiscal year 1986 for Personnel Development, and what do you estimate the amount of the applications to be?

Mrs. Will: We have received 479 applications for continuing projects requesting slightly over $36 million, and 951 new applications requesting almost $85 million in first year funding. However, we expect a significant proportion of the 951 applications to be technically inadequate and therefore unfundable.

Mr. Early: What portion of these proposals would be supported under the fiscal year 1986 postsequestration level of $61.154 million?

Mrs. Will: All of the 479 continuation projects will be funded. We estimate that we will be able to fund about 326 new projects at the postsequestration level.

Mr. Early: What portion could be funded under the fiscal year 1986 revised level of $49.906 million?

Mrs. Will: At the revised level we would fund all 479 continuation projects plus about 175 new projects.

Mr. Early: Do you plan on allocating the full 5 percent of the amount available for Personnel Development in the form of contracts for fiscal year 1987 and fiscal year 1986?

Mrs. Will: Plans for fiscal years 1986 and 1987 are not completely final at this time. We do plan to use a small amount of funds for contracting but far less than 5 percent of the funds available.

Mr. Early: Would you briefly explain under what circumstances contracts are awarded, in place of grants for Personnel Development?

Mrs. Will: In the event that we identify needs very specifically in terms of both numbers and types of personnel to be trained, or in cases where it was vital for the Government to maintain tight control over the nature of the training, contracts would be the appropriate type of award.

MEDIA SERVICES AND CAPTIONED FILMS

Mr. Hoyer: Mrs. Will, this committee has been on record for quite some time in its strong support of your Department's efforts to help hearing-handicapped persons enjoy the benefits of television by means of closed-captioning of television programs. Last year, you said that you expected that the second generation decoders would be available early in the fall of 1985 at a cost of

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$199.95 each. Are these decoders now available, and if so, at what price?

Mrs. Will: The second generation of decoders is now available from a variety of dealers throughout the United States at a retail price of $199.99, approximately $70 less than the first generation model.

Mr. Hoyer: What has been the public's response to these decoders?

Mrs. Will: Through March, 1986, there have been 21,408 units delivered, and current orders now being manufactured will bring the total to 34,470.

Mr. Hoyer: What is the requested budget level in your fiscal year 1987 budget request for the Media Services and Captioned Films program?

Mrs. Will: We are requesting $16,500,000 for the Media Services and Captioned Films program in fiscal year 1987.

Mr. Hoyer: How will this money be used?

Mrs. Will: All major components of the Media Services and Captioned Films program will be continued at about the same levels as fiscal year 1986. Approximately $6.0 million will support the captioning and distribution of educational and general interest films; approximately $5.4 million will be used for closed captioning of television programs including news, prime time programs, and movies for television; approximately $4.1 million will continue the special education media and technology program activities; and $.5 million would be provided for both the National Theater of the Deaf and Recording for the Blind.

Mr. Hoyer: In fiscal year 1986 your Department planned to support projects to explore the educational impact of captioning on reading and language and its potential use with other populations. Were these projects conducted or are they being conducted? Are there any results to date that you can share with the committee?

Mrs. Will: The response to the announcement to support such projects was inadequate in terms of fundable proposals. This led to the decision to apply available funds to ongoing services.

Mr. Hoyer: How has the introduction of video cassette recorders affected the teaching of deaf children in the classroom?

Mrs. Will: There has been a small but significant change in the teaching of deaf students through the introduction of this technology in the classrooms. Approximately one-third of our users of captioned films now have access to VCRs. As a result, we are now beginning to make captioned educational films available in both 16mm and video cassette formats. We are, in fact, experiencing a transition process and will continue to adjust accordingly.

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Mr. Hoyer: Does your budget request address this area?

Mrs. Will: We are currently able to address this need within the amount of funds committed to the captioning budget.

FEDERAL CONTRIBUTION

Mr. Hoyer: Mrs. Will, last year in a question for the record you stated that the Federal contribution to the average per pupil expenditure in 1986 would be approximately 8.5 percent, that the Federal contribution towards the total cost of special education would be approximately 3.9 percent and that the contribution toward excess cost in 1986 would be about 7.3 percent. Have these estimates been close to the mark?

Mrs. Will: Much has changed since our estimates were made last year including the estimated child count, actual per pupil expenditure, and estimated inflation rates. Our current estimates for fiscal year 1986 are as follows: at the revised request level of $1,135,145,000, the Federal contribution would be 8.4 percent of the average per pupil expenditure, 3.9 percent of total cost, and 7.2 percent of excess cost. These estimates are based on a projected count of 4,133,000 handicapped children. At the postsequestration level of $1,163,282,000, the Federal contribution would be 8.6 percent of the average per pupil expenditure, 4.0 percent of total cost, and 7.4 percent of excess cost. The number of children estimated to be counted is unaffected.

Mr. Hoyer: What are your estimates in these three areas for fiscal year 1987?

Mrs. Will: At the $1,135,145,000 level requested for the State Grant Program for fiscal year 1987, we estimate that the Federal contribution would be 8.1 percent of the average per pupil expenditure, 3.7 percent of total cost, and 6.9 percent of excess cost. These estimates are based on a projected count of 4,152,000 handicapped children.

STATE GRANT PROGRAM

Mr. Hoyer: According to a Department document you are going to serve more people in the State Grant Program with a smaller budget request. How will you be able to do this?

Mrs. Will: The 1987 request for the State Grant Program is $1,135,145,000, the same as the 1985 appropriation, but a $28,137,000 reduction from the 1986 postsequestration level of $1,163,282,000. The number of children estimated to be counted for fiscal year 1987 is 4,152,000 regardless of the level of Federal support. The count is unaffected by changes in the Federal contribution due to the fact that the Education of the Handicapped Act and section 504 of the Rehabilitation Act of 1973 both require services to be provided to handicapped children.

Mr. Hoyer: I noted on page 221 of your justification that you estimate that the share per child in fiscal year 1987 will be $273 and that in fiscal year 1986 your estimate is that it will be $281 after sequestration and $275 based on your revised estimate. The

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fiscal year 1985 level was $276. What effect, if any, has there been due to the increase and decrease in fiscal year 1986 -- as it pertains to provision of services?

Mrs. Will: The total cost for serving a handicapped child for fiscal year 1986 is estimated to be $7,092 and for fiscal year 1987 it is estimated to be $7,340. The Federal contribution toward offsetting these costs in any of the years mentioned is very small by comparison to State and local expenditures. A change in the level of Federal support simply means that more or less of the expense for providing handicapped education will fall on State and local governments. We do not believe that shifting $2 or $8 of the total cost from Federal to State and local resources has any significant impact on the provision of services.

Mr. Hoyer: How much will it cost to continue the $275 share per child in fiscal year 1987?

Mrs. Will: An appropriation of $1,140,363,000 would be required in fiscal year 1987 to maintain the Federal share at the $275 level included in the fiscal year 1986 revised request.

MARYLAND STATE PLAN

Mr. Hoyer: Maryland, as you know is one of the few States to serve handicapped children from 0-21. Ninety-one thousand students are served at a cost of $210 million per year. Six percent of the cost comes from the Federal Government. State officials have stated that funds must be diverted from other educational programs in order to comply with Federal and State mandates to provide special education and related services. I realize that you don't like to comment on particular State efforts, but is Maryland still one of the most progressive and active States?

Mrs. Will: I am pleased to agree with you that Maryland is indeed progressive and active in providing a free appropriate public education for its handicapped children.

INCREASED COSTS

Mr. Hoyer: Do you share their concern over State and Federal mandates and increasing costs?

Mrs. Will: We do recognize that costs of educating handicapped children have continued to increase as States have increased their levels of services to handicapped children. However, we believe that the goal of providing all handicapped children access to a free appropriate public education is worth striving for. To this end, we encourage State and local governments to provide high quality services to handicapped children in keeping with their overall responsibilities for education. At the same time, we encourage cost effective interventions for handicapped children which act to contain costs and improve services. For example, some early childhood education programs have been shown to be cost effective in reducing the need for services later in life. We are also trying to encourage the use of flexible regular education interventions which will reduce the need to identify and serve children as handicapped.

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STATE GRANT PROGRAM CAP

Mr. Conte: Let me begin with a subject that's become very critical in my State. As you know, under the funding formula in the Handicapped Act, State allotments are capped when the number of children served exceeds 12 percent of the State's total five to seventeen-year-old population. The way the law is written, on the other hand, and the work you, this committee, and many others have been doing is to try and get States to serve at least the kids from age three to twenty-one. The inconsistency here has already caused havoc in Massachusetts, and will soon in other States as well. Massachusetts has already lost an estimated $1.5 million, and we may lose another $2 million more when the fiscal year 1986 money goes out this summer.

The way I see it, if we're going to have a limitation in the law at all, and I'm not convinced we should, we've got to be consistent in who we're asking the States to serve and how we're going to do the counting. They shouldn't be penalized for providing services we all know are badly needed. As you know, I've introduced legislation to make the "cap" more consistent with our message to serve as many kids as possible, and while we're on it, I want to thank you and your staff for being accessible and helpful with this work.

Let me ask you, though; what would be the effect of lifting the "cap" altogether?

Mrs. Will: Lifting the cap altogether would have significant negative effects on the special education system. We are strongly opposed to such an approach. A child is handicapped because he requires special education. That is, a child with a disability is handicapped because the regular education system cannot meet his needs. We believe that once a State begins to serve more than 12 percent of its school aged children as handicapped, it is an indication that improvements are needed in the delivery of regular education and in the identification of handicapped children. Counting large numbers of children as handicapped does a disservice to those children with mild learning problems who may be stigmatized by the handicapped label. It also does a disservice to handicapped children, particularly those with specific learning disabilities, who could be placed in classes geared to the needs of children with mild or unrelated learning problems rather than their own peculiar needs. Removing or significantly loosening the cap would send an extremely inappropriate signal to the States and localities that there is no reasonable upper limit on the percent of all children who should be considered handicapped. It would increase incentives to refer and classify children as handicapped at the very moment we are seeking to prevent unnecessary or inappropriate identification, and to foster better support in the regular classroom for children with mild learning problems without assigning the handicapped classification. In addition, we believe that raising the cap may have an adverse effect by encouraging the identification of children with learning problems unrelated to a handicapping condition, such as limited English proficient children.

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I should also note that legislation would effectively remove the cap if it expands the general population base for calculating the cap to include children outside the 5 through 17 age range. Far fewer children outside this range need special education services. Therefore, using a broader age range for calculating the cap simply allows inordinately large numbers of children to be counted in the 5 through 17 age range.

Mr. Conte: Don't we basically place a limitation on these funds already through the appropriation process each year?

Mrs. Will: The appropriation process places a limit on the total amount of funds which are available. These funds are distributed on the basis of the number of children who are served. If the number of children counted in a State were excessive, then the allocations to all of the rest of the States would be reduced. The cap is intended, in part, to prevent this from happening.

Mr. Conte: Do you think there is perhaps a fairer and more constructive way to impose a "cap" than the one that is in place at the moment?

Mrs. Will: We believe that a cap based on a comparison of the handicapped children served aged 5 through 17 and the general population in the same age range would be most appropriate. This would be fair to the States and a helpful influence on the system as a whole. It would also be desirable to include under the cap children counted under the Education Consolidation and Improvement Act, Chapter 1 Handicapped program.

Mr. Conte: I understand that in some years money comes back into the State Grant Program because of miscalculations in child counts, etc., and that those funds are then reallocated across States. Have all of the fiscal year 1985 funds been disposed of, or will some be coming back into the program later this year?

Mrs. Will: Funds for fiscal year 1985 have not yet been reallocated.

Mr. Conte: Do you have any estimates on how much, and when it would become available?

Mrs. Will: We do not have an estimate as to how much money will become available for reallocation. We should have data by August, 1986.

Mr. Conte: Aren't there also some legislated reductions in payments to Micronesia and the Marshall Islands in fiscal year 1986 that will also free up some money in this program?

Mrs. Will: Funds which would otherwise have gone for the Federated States of Micronesia and the Marshall Islands from the fiscal year 1986 appropriation will lapse.

LEARNING DISABILITIES

Mr. Conte: Mrs. Will, in general the total population of children served under the Education of the Handicapped Act seems

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to have stabilized a bit, some areas increasing a little and others decreasing; the one possible exception being the learning disabled category. Why do you think the learning disabled population is so large, and what are some of the innovative things you are doing to identify and reach these children early on in the school system?

Mrs. Will: While the learning disabled population continues to grow, the rate of increase has declined. We believe that the growth in the category will stabilize this year or next. There are a number of possible explanations for the growth in the learning disabled population. Among the factors that have contributed to this increase, we believe, are: (1) an increased emphasis on the identificaiton of learning disabilities that has occurred over the last decade; (2) a preference for the use of the less stigmatizing label of learning disabled over other labels such as mental retardation or seriously emotionally disturbed; and (3) the inappropriate classification of slow learners and other non-handicapped students as learning disabled.

In response to the expressed need to improve the instructional options available to learning disabled students, SEP designed the Enhancing Instructional Program Options grant program. The purpose of this program is to provide support to projects to enhance the capacity of local educational agencies to provide a variety of instructional options and screening procedures prior to the evaluation and placement in special education of children with learning problems. The purpose of these projects is to research and develop instructional strategies and systems to: (1) be responsive to the needs of such students; (2) create instructional options for such students so that they may be successfully educated within the general education program; and (3) prevent unnecessary and inappropriate placement of such children in special education settings. SEP funded twelve projects to begin in October 1985. These studies focus primarily on at-risk elementary (early identification) and secondary students, although several projects included diagnosed and currently identified handicapped students as additional subjects for inclusion in their studies.

SECONDARY AND TRANSITIONAL SERVICES

Mr. Conte: You know, it seems to me that one of the big problems that school systems face, especially with the more severely disabled child, is setting up a proper range of services, things that don't often simply involve the school itself. What are we doing in this area to help develop models for cooperative agreements between school systems and the various social services groups in our communities?

Mrs. Will: In each of the three years the Secondary Education and Transitional Services for Handicapped Youth program has been in existance, the Department has sponsored competitions to help develop models for cooperative activities between educational agencies and adult service providers. The purpose of these projects is to develop cooperative models for activities among State, intermediate, or local education agencies and adult service providers, which will facilitate effective planning and program development to meet the service and employment needs of handicapped

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youth as they leave school. Adult service providers include vocational rehabilitation, mental health, mental retardation, and public employment agencies as well as community colleges, centers for independent living, and private employers. Since fiscal year 1984, thirty-five cooperative model projects have been funded for a total of $3.9 million.

Mr. Conte: Actually, in my own district, in Franklin County, there is a parent of a handicapped child who seems to have done some real pioneering work in this area, bringing together almost every group in the county to put together a project for helping kids move from school to the community and employment. I wrote to you about Mrs. Spencer last year, and you gave her such good advice that she's now applying for funds under the secondary and transitional services programs. Is the type of program I just described the kind that would fare well in the competition under that program?

Mrs. Will: Yes, projects similar to the one you have described have been funded under the cooperative model competition in prior years.

Mr. Conte: How many new awards do you expect to make under this program in fiscal year 1986? -- I really hope you'll take a good look at Mrs. Spencer's application, it would do a lot of good in that rural county where people have to work extra hard to see any Federal bucks.

Mrs. Will: We expect to make eight new grants in the area of cooperative planning in fiscal year 1986.

PARENT ORGANIZATIONS

Mr. Conte: Another program of yours that I'm very interested in is the Parent Organization Projects under the Special Education Personnel Development program. How much are you devoting to these projects in fiscal year 1986, and how many new awards do you expect to make?

Mrs. Will: We are planning to devote about $6.2 million to parent training projects in fiscal year 1986 at the postsequestration level and $5.1 million at the revised request level. At both levels 11 continuation awards would be made. We would fund about 44 new awards at the sequestration level and 33 new awards at the revised request level.

Mr. Conte: How is that whole program developing, and when it gets completely operational what would you hope the system looked like?

Mrs. Will: At present, we are supporting parent training centers in about three-fourths of the States, and additional States may be added as a result of the fiscal year 1986 competition.

Mr. Conte: Would we have a number of centers all around the country?

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Mrs. Will: Eventually, we hope to have at least one parent training center in each State.

Mr. Conte: Do you have any estimates on what it costs to educate the parent of a handicapped child, to get them to the point where they know how to access the system, know where to look for help, and what their rights are?

Mrs. Will: It is very difficult to estimate the average cost of educating a parent of a handicapped child due to the wide range of information needs of parents across the country.

Mr. Conte: It would seem to me that over the long run these kinds of projects would save a lot of money by educating parents to monitor their child's education. Do you think that statement is essentially correct?

Mrs. Will: We cannot tell whether these projects would save money over the long run. However, we do believe that they promote improved services for children.

Mr. Conte: Do you think it is worth doing more in this area?

Mrs. Will: We believe that the current program activity in this area is adequate. Parent training centers are not the only source of information for parents. There are many private organizations which fill a vital role in assisting parents to deal with the needs of their handicapped children.

PRESCHOOL SERVICE MANDATE

Mr. Conte: As you know, there's been a lot of pressure growing to add a preschool mandate to the Education of the Handicapped Act, in fact, I've heard it may be coming through in one of the new reauthorization bills this year. When do you think we'll have the necessary building blocks in place to effectively carry out a preschool mandate, and what kinds of things may still need to be developed?

Mrs. Will: Education, including the education of handicapped children, is primarily a State and local responsibility. We do not believe that it is appropriate for the Federal Government to enact mandates for services outside of the current 5 through 17 age range in which most children receive services. Current impediments to providing preschool services include a lack of information on the number of preschool childern requiring services, the types of services required, and the kinds of agencies currently providing services to handicapped children in this age range. Other problems include a lack of qualified personnel and interagency coordination at State and local levels.

CATEGORIZATION OF CHILDREN

Mr. Conte: I've got a copy here of the Department's latest report to Congress on the implementation of the Handicapped Act. It's got a lot of facts and a lot of numbers. To what extent do you think we may be over analyzing here; over-categorizing children for the sake of data collection?

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Mrs. Will: There has been concern for a number of years about the stigma that may be attached to the use of labels that are associated with the various handicapping conditions. As a result, a number of States have used various techniques to attempt to mitigate the effects that labels might have.

Under the State Grant Program, a child is only handicapped if the child is determined to have one of the eleven handicapping conditions. Since this determination must be made, maintaining records of it which are not associated directly with the placement or services for a particular child does not appear to be unreasonable in terms of administrative burden or stimatizing children. The data that the Department collects on the numbers of children with the various handicapping conditions is used by researchers, teachers, demographers, parent organizations, and many other individuals interested in the education of handicapped children.

Mr. Conte: Do you think there might be ways to ease the stigma that can be placed on a child with this kind of categorizing, as well as the administrative burden this kind of report places on States?

Mrs Will: Categorical programs require the categorization of children in some way. Hopefully, some day it will not be necessary to categorize children in order to ensure that they receive appropriate educational services. To some extent, we are working toward this goal with our regular education initative. Flexible regular education programs mean fewer children who require special education and better education for children with other learning problems. We are working with the States to develop the least burdensome means for obtaining the data needed by the Department and Congress.

INTERAGENCY COMMITTEE ON LEARNING DISABILITIES

Mr. Conte: I just got a copy of your report in response to our request last year that the Department set up a coordinating committee on learning disabilities. I gather from that report that you'll be joining the newly formed Interagency Committee on Learning Disabilities instead of forming your own. How often do you expect that this committee will meet, and are they mandated to provide us with periodic reports on their findings?

Mrs. Will: The National Institute of Health Committee on Learning Disabilities has not established a meeting schedule at this time. A report to Congress is mandated by the Health Research Extension Act by July 1987. No periodic reports are mandated.

Mr. Conte: Do you think this committee will fit in well with the work you've been doing at the National Institute of Handicapped Research?

Mrs. Will: There are four reasons why this committee will fit in well with the work that is being conducted by the National Institute of Handicapped Research. First, the research sponsored by the National Institute of Handicapped Research is oriented towards the psychosocial needs of children and families with

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learning disabilities, the educational-diagnostic aspects of learning disabilities, and the vocational rehabilitation needs of adults with learning disabilities. Through the National Institute of Health committee, there will be an opportunity to blend the psychosocial, educational, and vocational research of the National Institute of Handicapped Research with the biomedical research that the majority of the representative agencies sponsor. We believe the work will be complementary, and the committee will provide an opportunity to coordinate and share findings. Second, the new Director of the National Institute of Handicapped Research, Dr. David Gray, is a recognized expert in learning disabilities research. Before joining the National Institute of Handicapped Research, he was the lead staff member for learning disabilities at the National Institute of Child Health and Human Development, which is the institute that has the responsibility for managing the National Institute of Health committee. Third, the Department's official representative to the National Institute of Health committee is the Deputy Director of the National Institute of Handicapped Research. Finally, the lead learning disabilities staff person at the National Institute of Handicapped Research is in contact with staff members from most of the agencies represented on the National Institute of Health committee.

DEAF CHILDREN

Mr. Conte: What is the Department's position on "least restrictive environment", particularly as it relates to deaf children? I heard there was some confusion in this area, do you want to comment on that?

Mrs. Will: The Department's position on "least restrictive environment" is that placement decisions for all handicapped children, including deaf children, must be made on an individual basis based on each child's need. Deaf children, like all other handicapped children, have a right to be educated with nonhandicapped students in the least restrictive environment appropriate to their educational needs.

CAPTIONING

Mr. Conte: While we're in this area, the 1985 appropriations bill provided $1.5 million to subsidize 50,000 new television decoders for the deaf. I understand those decoders are now on the market. Can you give us any report on how they're selling, and at what cost to the consumers?

Mrs. Will: Through March, 1986, 21,408 decoders have been produced and shipped to dealers throughout the country. Additional orders for decoders that are now being manufactured will bring the total to 34,470. The unit sells at a retail price of $199.99, approximately $70 less than the first generation model. We have no data on actual sales at this time.

Mr. Conte: What will you be doing with the additional $1 million we provided for decoders in the fiscal year 1986 bill?

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Mrs. Will: We are currently in the process of producing 50,000 new decoder units. The $1 million will be used to purchase an additional 33,300 units.

Mr. Conte: We've been funding captioning services for a long time now. Do you think it is helping to persuade the private sector, particularly the television industry, that this is an important market and perhaps they should be stepping in to take the major responsibility for funding captioned television?

Mrs. Will: We hope that our efforts are successful in encouraging the private sector to take on a greater role in captioning.

Mr. Conte: Now that the Senate has finally decided to follow the House and open itself up to television, do you think it would be a wise expenditure of funds to provide some money for captioning these telecasts?

Mrs. Will: Closed captioning would provide deaf persons with the same kind of access to congressional proceedings which hearing-persons have through television. On the other hand, we must be judicious in using our resources. Since we cannot possibly caption all television programs, we must focus our attention on those programs which the hearing impaired are most likely to watch. Senate and House hearings are not the type of programming for which hearing impaired persons have expressed a preference.

DEPARTMENT OF EDUCATION

Education for the Handicapped

Fiscal Year 1987 Budget Request — Page No.

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EDUCATION FOR THE HANDICAPPED

For carrying out the Education of the Handicapped Act, [$1,411,000,000] $1,303,100,000, of which [$1,215,550,000] $1,135,145,000 for section 611 and [$30,000,000] $31,000,000[1] for section 619 shall become available for obligation on July 1, [1986] 1987, and shall remain available until September 30, [1987: Provided, That $500,000 of the amounts available under this heading for part F of the Education of the Handicapped Act shall be available for the Theater of the Deaf][2]. 1988. (Department of Education Appropriation Act, 1986.)

Explanation of Language Changes

1/ The $31,000,000 requested for section 619 Preschool Incentive Grants is $2,000,000 greater than the $29,000,000 shown in the Budget Appendix. No change has been made to the total amount requested since this increase has been offset by a decrease in the request for Special Education Personnel Development within the Training and Information activity.

2/ Elimination of specific earmarking for the National Theater of the Deaf is proposed. Earmarks for specific projects should not be included in appropriation language.

Education for the Handicapped

Language Analysis

Language Provision	Explanation
...$1,303,100,000, of which [$1,215,550,000] $1,135,145,000 for section 611 and [$30,000,000] $31,000,000 for section 619 shall become available for obligation on July 1, [1986] 1987, and shall remain available until September 30, [1987...] 1988.	This language specifies the amounts for formula grants to States under the State grant program (section 611) and the Preschool incentive grants program (section 619), and makes these funds available for a time period which encompasses the school year.
[...*Provided*, That $500,000 of the amounts available under this heading for part F of the Education of the Handicapped Act shall be available for the Theater of the Deaf]...	This language establishes a specific funding level for the Theater of the Deaf.

Education for the Handicapped

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual....................	$1,321,270,000	$1,411,000,000	$1,303,100,000
Sequester order...........	---	-60,664,000	---
Proposed rescission.......	---	-44,364,000	---
Subtotal, adjusted appropriation..........	1,321,270,000	1,305,972,000	1,303,100,000
Comparative transfer to:			
Salaries and Expenses for: Field reader activities in the Office of Special Education and Rehabilitative Services................	-430,000	-590,000	---
Subtotal, adjusted budget authority.................	1,320,840,000	1,305,382,000	1,303,100,000
Recovery of prior year obligations...............	3,470,000	---	---
Unobligated balance, start of year.............	147,69[illegible]	42,462,000	---
Unobligated balance, end of year...............	-42,462,000	---	---
Unobligated balance lapsing.	---	-212,000 1/	
Total obligations.......	1,429,540,000 2/	1,347,632,000	1,303,100,000

1/ Reduction required by section 515 of the Treasury-Postal Service Appropriations Act of 1986. Because this amount must be placed in reserve, it cannot be obligated and will lapse.

2/ Total obligations for fiscal year 1985 include $1,120,000 contingently obligated under court order.

Education for the Handicapped

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. State grants:				
a. State grant program..............	$1,215,550,000	$1,163,282,000	$1,135,145,000	$1,135,145,000
b. Preschool incentive grants.......	30,000,000	28,710,000	28,710,000	31,000,000
Subtotal.................	1,245,550,000	1,191,992,000	1,163,855,000	1,166,145,000
2. Special purpose funds:				
a. Special populations:				
(1) Deaf-blind centers...........	15,000,000	14,355,000	11,764,000	9,000,000
(2) Severely handicapped projects....................	5,000,000	4,785,000	4,300,000	4,300,000
(3) Early childhood education....	24,000,000	22,968,000	22,500,000	22,500,000
(4) Secondary and transitional services....................	6,600,000	6,316,000	6,316,000	6,330,000
(5) Postsecondary programs.......	5,500,000	5,264,000	5,264,000	5,300,000
Subtotal.................	56,100,000	53,688,000	50,144,000	47,430,000
b. Research and technology:				
(1) Innovation and development...	17,000,000	16,269,000	15,811,000	16,000,000
(2) Media services and captioned films............	17,500,000	16,747,000	16,429,000	16,500,000
(3) Special studies..............	3,440,000	3,301,000	2,212,000	2,000,000
Subtotal.................	37,940,000	36,317,000	34,452,000	34,500,000
c. Training and information:				
(1) Special education personnel development......	64,000,000	61,248,000	49,906,000	48,000,000
(2) Recruitment and information..	1,110,000	1,062,000	1,025,000	1,025,000
(3) Regional resource centers....	6,300,000	6,029,000	6,000,000	6,000,000
Subtotal.................	71,410,000	68,339,000	56,931,000	55,025,000
Subtotal.................	165,450,000	158,344,000	141,527,000	136,955,000
Total...........	1,411,000,000	1,350,336,000	1,305,382,000	1,303,100,000

Education for the Handicapped

Budget Authority by Activity -- Continued

NOTES

1a. Reflects a proposed rescission of $28,137,000 for the State Grant Program.

1b. 1987 request of $31,000,000 is $2,000,000 greater than the $29,000,000 shown in the Budget Appendix. This increase has been offset by a decrease in the request for Special Education Personnel Development within the Training and Information activity.

2a.(1) 1986 revised reflects a rescission of $2,355,000, and a comparative transfer of $236,000 to Salaries and Expenses for field readers.

2a.(2) 1986 revised reflects a proposed rescission of $485,000.

2a.(3) 1986 revised reflects a proposed rescission of $468,000.

2b.(1) 1986 revised reflects a proposed rescission of $269,000, and a comparative transfer of $189,000 to Salaries and Expenses for field readers.

2b.(2) 1986 revised reflects a proposed rescission of $247,000, and a comparative transfer of $71,000 to Salaries and Expenses for field readers.

2b.(3) 1986 revised reflects a proposed rescission of $1,089,000. The 1986 amount does not reflect a reduction of $212,000 required by Section 515 of the Treasury-Postal Service Appropriations Act, 1986. Because that amount must be placed in reserve, it cannot be obligated and will lapse.

2c.(1) 1986 revised reflects a proposed rescission of $11,248,000, and a comparative transfer of $94,000 to Salaries and Expenses for field readers. The 1987 request of $48,000,000 is $2,000,000 less than the $50,000,000 shown in the Budget Appendix. This decrease has been offset by an increase in the request for Preschool Incentive Grants.

2c.(2) 1986 revised reflects a proposed rescission of $37,000.

2c.(3) 1986 revised reflects a proposed rescission of $29,000.

Education for the Handicapped

Budget Authority by Object

	1985	1986	1987
Other services: Project contracts.......	$29,935,000	$28,564,000	$28,830,000
Grants, subsidies and contributions...........	1,290,905,000	1,276,818,000	1,274,270,000
Total budget authority by object...........	1,320,840,000	1,305,382,000	1/ 1,303,100,000

1/ Reflects a reduction of $60,664,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; and a proposed rescission of $44,364,000.

Education for the Handicapped

Summary of Changes

1986 Estimate	$1,410,410,000
1986 Sequester order	-60,664,000
1986 Proposed rescission	-44,364,000
Total estimated budget authority	1,305,382,000
1987 Request	1,303,100,000
Net change	-2,282,000

	1986 Base 1/	Change from Base
Increases:		
Program:		
1. State grants - Preschool incentive grants -- would encourage States to expand services to preschool handicapped children	$28,710,000	+$2,290,000
2. Special purpose funds - Special populations -- Secondary and transitional services -- would increase funding for demonstration projects	6,316,000	+14,000
3. Special purpose funds - Special populations -- Postsecondary programs -- would increase funding for demonstration projects	5,264,000	+36,000
4. Special purpose funds - Research and technology -- Innovation and development -- would increase the number of research projects by 2, from 182 to 184	15,811,000 2/	+189,000
5. Special purpose funds - Research and technology -- Media services and captioned films -- would increase captioning and technology acivities	16,429,000 3/	+71,000
Subtotal		+2,600,000

Education for the Handicapped

Summary of Changes — Continued

	1986 Base [1/]	Change from Base
Decreases:		
Program:		
1. Special purpose funds - Special populations -- Deaf blind centers --- would reduce full funding of multiyear projects from a single budget year, thereby aligning budget support with corresponding project years......................	$11,764,000 [4/]	-$2,764,000
2. Special purpose funds - Research and technology -- Special studies --- would continue funding at the level available for obligation under the 1986 revised request. The reserve mandated by the Treasury-Postal Service Appropriations Act will result in a lapse of funds in 1986...........	2,212,000 [3/]	-212,000
3. Special purpose funds - Training and information -- Special education personnel development --- reflects lack of evidence that a higher level is needed............	49,906,000 [6/]	-1,906,000
Subtotal...............		-4,882,000
Net change.............		-2,282,000

[1/] Reflects a reduction of $60,664,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

[2/] Reflects a proposed rescission of $269,000 for Innovation and development.

[3/] Reflects a proposed rescission of $247,000 for Media services and captioned films.

[4/] Reflects a proposed rescission of $2,355,000 for Deaf-blind centers.

[5/] Reflects a proposed rescission of $1,089,000 for Special studies.

[6/] Reflects a proposed rescission of $11,248,000 for Special education personnel development.

Education for the Handicapped

Authorizing Legislation 1/

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. State grants:			
(a) State grant program	EHA, Part B, Section 611	Indefinite	Indefinite
(b) Preschool incentive grants	EHA, Part B, Section 619	Indefinite	Indefinite
2. Special purpose funds:			
(a) Special populations:			
1) Deaf-blind centers	EHA, Part C, Sections 622 and 624	$15,000,000	$15,000,000 2/
2) Severely handicapped projects	EHA, Part C, Section 624	5,600,000	5,600,000 2/
3) Early childhood education	EHA, Part C, Sections 623 and 624	28,300,000	28,300,000 2/
4) Secondary and transitional services	EHA, Part C, Sections 624 and 626	6,660,000	6,660,000 2/
5) Postsecondary programs	EHA, Part C, Sections 624 and 625	5,500,000	5,500,000 2/
(b) Research and technology:			
1) Innovation and development	EHA, Part E	22,200,000	22,200,000 2/
2) Media services and captioned films	EHA, Part F	21,100,000	21,100,000 2/
3) Special studies	EHA, Part B Section 618	3,440,000	3,440,000 2/

Education for the Handicapped

Authorizing Legislation[1] -- Continued

Activity	Legislative Citation	1986 Authorized	1987 Authorized
(c) Training and information:			
1) Special education personnel development	EHA, Part D, Sections 631, 632, and 634	$64,370,000	$64,370,000[2]
2) Recruitment and information	EHA, Part D, Section 633	1,110,000	1,110,000[2]
3) Regional resource centers	EHA, Part C, Sections 621 and 624	6,300,000	6,300,000[2]
3. Unfunded authorizations:			
Architectural barriers removal	EHA, Part A, Section 607	Indefinite	Indefinite
Administration, including technical assistance to States and training	EHA, Part B, Section 617	Indefinite	Indefinite
Total definite authorizations........		179,580,000	179,580,000

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[1] All authorizations are under the Education of the Handicapped Act (EHA).

[2] The authorizing legislation expires at the end of fiscal year 1986. However, a one-year extension is authorized by section 414 of the General Education Provisions Act.

Education for the Handicapped

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation[1]
1978	$519,925,000	$619,925,000	$643,425,000	$622,825,000
1979	971,825,000	971,825,000	981,450,000	976,637,000
1980	1,027,825,000	1,045,325,000	1,054,025,000	1,049,025,000
1981	834,112,000	1,029,206,000	1,016,180,000	1,025,231,000
1982	783,508,000	1,071,031,000	1,040,050,000	1,068,580,000
1983	845,623,000[2]	1,103,635,000	1,200,607,000	1,199,357,000
1984	1,110,207,000	1,347,747,000	1,242,575,000	1,240,600,000
1985	1,214,445,000	1,298,540,000	1,320,395,000	1,321,270,000
1986	1,306,100,000	1,320,100,000	1,411,000,000	1,411,000,000
1986 Sequester	-60,664,000			
1986 Proposed Rescission	-44,364,000			
1987	1,303,100,000			

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[1] Reflects enacted supplementals and rescissions.

[2] Includes an unspecified amount for Education Consolidation and Improvement Act, Chapter 1 Handicapped activities, which were proposed for consolidation into a block grant in the fiscal year 1983 budget request.

Education for the Handicapped

Significant Items in Congressional Appropriations Reports

Item	Action taken or to be taken
1986 House Report	
Interdepartmental Committee on Research in Learning Disabilities	
The Committee expects that the interdepartmental coordinating committee formed last year be broadened to include representatives of the Departments of Education, Health and Human Services, Justice, and Defense. The Committee expects the Secretary of Education to take the lead in this effort.	The Department is studying the possibility of making the Interdepartmental Coordinating Committee on Research in Learning Disabilities a responsibility of the Interagency Committee on Handicapped Research. The Department will participate in the Interagency Committee on Learning Disabilities established by section 9 of the Health Research Extension Act, Public Law 99-158.
The Committee expects the Secretary of Education to report on the activities, plans, and strategies of the Interdepartmental Committee on Research in Learning Disabilities prior to the fiscal year 1987 budget hearings. 1/	The Department will develop a report as directed before the 1987 budget hearings.
1986 Senate Report	
Closed Captioning	
The Committee directs that funding for television captioning be increased to $4,000,000 for fiscal year 1986.	The Department intends to use at least $4,000,000 for captioning television programs in fiscal year 1986.
Decoders for Closed Captioning	
The Committee wants to assure an additional 50,000 closed captioning decoders will be available next year, and, therefore, directs the Secretary to provide $1,000,000 for this purpose.	The Department will utilize $957,000 for the purchase of closed captioned decoder chips. This is the amount specified in the Senate report less the amount sequestered. It is expected that at this level of funding about 30,000 decoder chips could be purchased.

Education for the Handicapped

Significant Items in Congressional Appropriations Reports -- Continued

Item	Action taken or to be taken
1986 Senate Report -- Continued	
The Committee directs the Secretary to provide $500,000 for developing new, less expensive closed captioning decoder components.	Development of new decoder components was completed in fiscal year 1985.
The Committee directs the Secretary to utilize $200,000 to establish and support a program for public awareness of captioned programs, and for consumer advice and repair services for decoders.	These activities are already included in those authorized to be conducted by the National Captioning Institute as a part of its responsibility to produce and distribute decoder chips.
1986 Conference Report	
Interdepartmental Committee on Research on Learning Disabilities	
The Conferees expect that a report on Interdepartmental Committee on Research on Learning Disabilities be made to the House Education and Labor Committee and the Senate Labor and Human Resources Committee at the time the Department's views are presented on reauthorization of special education discretionary programs.	The report was made to the Senate Labor and Human Resources Committee as part of the testimony of the Assistant Secretary for Special Education and Rehabilitative Services on February 4, 1986. The Department has not been requested to testify at a House hearing.
Contracts for Captioning	
The Conferees direct the Department to review its policy of sole-sourcing contracts for captioning services, and to seek every opportunity to make multiple awards among qualified captioning agencies.	The Department does not have a policy of sole-sourcing contracts for captioning services. The Department has reviewed its policy with regard to the size of awards and determined that smaller multiple awards would not be efficient.

1/ Also included in the 1986 Conference Report.

Education for the Handicapped

Account Summary

	1985	1986	1987
1. State grants:			
a. State grant program......	$1,135,145,000	$1,135,145,000	$1,135,145,000
b. Preschool incentive grants..................	29,000,000	28,710,000	31,000,000 1/
Subtotal..........	1,164,145,000	1,163,855,000	1,166,145,000
2. Special purpose funds:			
a. Special populations:			
(1) Deaf-blind centers...	14,828,000	11,764,000	9,000,000
(2) Severely handicapped projects...........	4,300,000	4,300,000	4,300,000
(3) Early childhood education..........	22,500,000	22,500,000	22,500,000
(4) Secondary and transitional services...........	6,330,000	6,316,000	6,330,000
(5) Postsecondary programs...........	5,300,000	5,264,000	5,300,000
Subtotal..........	53,258,000	50,144,000	47,430,000
b. Research and technology:			
(1) Innovation and development........	15,862,000	15,811,000	16,000,000
(2) Media services and captioned films....	16,448,000	16,429,000	16,500,000
(3) Special studies......	3,170,000	2,212,000 2/	2,000,000
Subtotal..........	35,480,000	34,452,000	34,500,000
c. Training and information:			
(1) Special education personnel development........	60,932,000	49,906,000	48,000,000 1/
(2) Recruitment and information........	1,025,000	1,025,000	1,025,000
(3) Regional resource centers............	6,000,000	6,000,000	6,000,000
Subtotal..........	67,957,000	56,931,000	55,025,000
Subtotal..........	156,695,000	141,527,000	136,955,000
Total budget authority......	1,320,840,000	1,305,382,000	3/ 1,303,100,000

1/ The 1987 request for Preschool Incentive Grants of $31,000,000 is $2,000,000 greater than the $29,000,000 included in the Budget Appendix. The request for Special Education Personnel Development within the Training and Information activity of $48,000,000 is $2,000,000 less than the $50,000,000 included in the Budget Appendix.

2/ The 1986 amount for Special Studies does not reflect a reduction of $212,000 required by Section 515 of the Treasury-Postal Service Appropriation Act of 1986. Because that amount must be placed in reserve, it cannot be obligated and will lapse.

3/ Reflects a reduction of $60,664,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; and a proposed rescission of $44,364,000.

The purpose of the Education of the Handicapped Act (EHA) is to assure that all handicapped children have available to them a free appropriate public education which emphasizes special education and related services designed to meet their unique needs, to assure that the rights of handicapped children and their parents or guardians are protected, to assist States and localities to provide for the education of all handicapped children, and to assess and assure the effectiveness of efforts to educate handicapped children. All of the programs supported under this appropriation are directed toward one or more of these objectives.

As with all types of elementary and secondary education, States and localities retain primary responsibility for the education of handicapped children. Federal special education programs provide leadership and additional fiscal resources for the improvement of special education and related services for handicapped children. They pursue these goals through communicating and disseminating Federal policy and information on the education of handicapped children, administering formula grants and discretionary programs authorized by Congress, fostering and supporting research, and sponsoring and encouraging the use of models and best practices.

In school year 1984-85, States identified over 4.1 million handicapped children as receiving services under EHA State grant activities. These children range from the severely handicapped who require intensive interventions to children who require only special education approaches or assistance on a temporary basis within their regular classrooms. Over 44 percent of the children served under this program are classified as learning disabled. The next largest categories are speech or language impairments with 27 percent and mental retardation with 15 percent. The remaining children include those who are emotionally disturbed, orthopedically impaired, hearing impaired, other health impaired, or multiply handicapped.

The budget request for 1987 is $1,303,100,000, $2,282,000 less than the 1986 revised request level of $1,305,382,000. An increase is requested for the Preschool Incentive Grants program to provide additional support for services to young handicapped children and infants. Funding for the State Grant Program will be maintained at the 1986 revised level.

The request for most of the Special Purpose Funds programs will maintain the programs at about the 1985 and the 1986 revised level of funding. Reductions are proposed for Deaf-Blind Centers, Special Education Personnel Development, and Special Studies for the reasons indicated in the individual activity sections.

Education for the Handicapped

1. State grants: a. State grant program
   (Education of the Handicapped Act, Part B, Section 611)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$1,215,550,000	$1,163,282,000	$1,135,145,000	$1,135,145,000	---

Purpose and Method of Operation

This program awards grants to States, the District of Columbia, Puerto Rico, the Bureau of Indian Affairs and Outlying Areas to assist them to provide a free, appropriate education for handicapped children. The Education of the Handicapped Act requires that all children aged 3 through 21 be served, except that States are not required to serve children aged 3 through 5, or 18 through 21, if such service is inconsistent with State law or practice, or the order of any court.

After allocating a portion of the appropriation to Outlying Areas and the Bureau of Indian Affairs, the balance of the funds appropriated is distributed to States based on the number of handicapped children receiving special education and related services in each State.

The fiscal year 1987 appropriation will become available for obligation on July 1, 1987, for use during the 1987-1988 school year, and will remain available until September 30, 1988.

Under the statute, the State education agencies must pass through at least 75 percent of the funds appropriated to local education agencies and other agencies serving children directly. Up to 25 percent of the funds may be retained for direct services, support services and administration at the State level. However, of the total funds that a State receives, not more than 5 percent or $350,000 (whichever is greater) may be used for administrative expenses.

Accomplishments

A major goal of the State Grant Program is to assist States and localities in providing a free appropriate public education for all handicapped children. This assistance is provided through three primary avenues: 1) financial assistance to State and local education agencies; 2) monitoring of State and local programs; and 3) technical assistance.

In 1985, the State Grant Program provided funding to State agencies based on a child count of over 4.1 million children. The number of children served under this program grew rapidly during the 1970s as States moved to implement

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Accomplishments -- Continued

the goal of serving all handicapped children. The child count continued to grow in later years, largely due to growth in the count of children identified as learning disabled, but at a declining rate of increase. The trend of a decline in the rate of growth in the child count continued in 1985. The increase between 1984 and 1985 represents the smallest year-to-year increase since the start of the program, 7/10 of 1 percent. If adjusted for midyear revisions submitted by the States, the increase represents 5/10 of 1 percent.

The purpose of providing a set-aside for State expenditures is to offset part of the cost of State administration and enable States to provide direct or support services. A General Accounting Office study of the use of the set-aside found that the most frequent use was to provide training and technical assistance at the local level. In 1985, several States used these funds to develop or supplement programs for underserved populations such as handicapped infants and the severely disabled; to develop innovative models of integration for special and regular education; to conduct parent education, mediation, and computer technology programs; and to evaluate State and local programs.

In order to receive funds under the Education of the Handicapped Act (EHA), States must have an approved State plan which includes assurances that the requirements of the EHA are being achieved. Federal monitoring of these plans assures that the States have successfully implemented the programmatic and procedural features of the Act. During 1985, the Office of Special Education Programs (SEP) developed a Comprehensive Compliance Monitoring System to improve SEP review of State plans and SEP monitoring of States to assure compliance with approved plans. The system includes annual review of performance reports and annual data reviews, State plan reviews, comprehensive compliance reviews and visits, follow-up verification and specific compliance reviews. The system was field tested in two States and implemented in another six States and two territories in school year 1984-85. In conjunction with the new system, SEP is developing 15 compliance monitoring manuals to address the major areas of State Education Agency (SEA) responsibility. The manuals covering SEA monitoring, general supervision, and least restrictive environment were disseminated in draft form to the field last fall. SEP staff is in the process of reviewing the comments and revising the manuals. The Department has also developed and will begin implementing in the spring of 1986 a new staggered State plan review schedule. This schedule will allow for better coordination between the State plan and monitoring procedures.

The Department conducted 11 comprehensive compliance reviews during fiscal year 1985. The three main problems were in State monitoring of local educational agencies, general supervision, and placement in the least restrictive environment. In addition, the complaint review process and the development of comprehensive systems of personnel development appear to be problem areas. The implementation of the least restrictive environment provision of the EHA has been identified as a priority area by the Department. Increased attention will also be placed on all problem areas through the

Accomplishments -- Continued

improved compliance monitoring program and technical assistance by SEP staff. The Department provides technical assistance, either directly or through the discretionary programs described elsewhere in this Justification, in order to help States comply with the provisions of the Education of the Handicapped Act.

Evaluation activities are shifting from an emphasis on procedural implementation of the EHA to the impact and effectiveness of special education and related services. The Department is conducting three major evaluations, including the two studies prescribed in Section 618 of the EHA Amendments of 1983. The first, a longitudinal study of secondary and postsecondary handicapped students, is focusing on the educational, vocational, independent living, transition, and postsecondary status of handicapped students. A planning contract was awarded in September 1984 and will be completed in July of 1986. During fiscal year 1985, the contractor developed a conceptual framework, alternative study design plans, site selection plan, student sampling plan, and instrumentation. A field study was also conducted to examine the overall project design and methodology. Instruments are now being revised, and a data collection and reporting plan is being developed. In the fall of 1986, a separate contract will be awarded to implement the data collection, analysis, and reporting phases of the study.

A contract was awarded in September of 1984 for a survey of expenditures for special education and related services. This study will obtain comparable expenditure data from a nationally representative sample of local education agencies for all handicapping conditions and will identify variables that relate to cost, provide a range of average expenditures nationally and by handicapping condition, and examine variations in cost ranges and service levels. The design was field tested in 1985, and the contractor is in the process of collecting the data. The data collection will be completed in 1986, and the analysis and reporting of findings will occur in 1987 and 1988.

The Department also began a 3 year study in 1985 of instructional programs in day and residential facilities. This study will focus on children who are served in either day or residential programs that are primarily or exclusively for handicapped students. The data collected will be compared to data obtained by the Office for Civil Rights in a study conducted during the 1978-79 school year. It is expected that the results of these studies will greatly expand our knowledge and understanding of the impact and role of special education and related services in the lives and achievements of handicapped children.

1987 Budget Proposal

In fiscal year 1987, $1,135,145,000 is requested for formula grants to assist States in providing a free appropriate public education to handicapped children. This request would continue support for the State Grant Program at a level constant with the 1985 and revised 1986 levels.

1987 Budget Proposal -- Continued

The request would provide an average of $273 for each of the 4,152,000 children estimated to be counted for 1987. This is a reduction of only $2 from the 1985 and 1986 levels. It is not anticipated that this change will affect either the level or type of services provided. The $2 change represents a change of less that 3/100 of 1 percent of the estimated total Federal, State, and local resources that will be devoted in 1987, on average, to the education of a handicapped child. The 1987 request will cover about 7 percent of the estimated $3,958 average excess cost per child associated with educating handicapped children in 1987.

Impact Data

The State Grant Program began in 1967 with an appropriation of $2.5 million and grew to $200 million by fiscal year 1976, the year before the implementation of the Education for All Handicapped Children Act. Since that time, the number of children identified and served has gradually increased, from 3.5 million in 1977 to an estimated 4.2 million children for 1987. This represents an increase of over 18 percent (639,000 children) between 1977, when the child count was first taken, to 1985.

The following table shows the number of children served and the relative levels of Federal support since the passage of the Education for All Handicapped Children Act.

Fiscal Year	Child Count	Funding	Share Per Child
1977	3,485,000	$251,770,000	$72
1978	3,555,000	566,030,000	159
1979	3,690,000	804,000,000	218
1980	3,803,000	874,500,000	230
1981	3,941,000	874,500,000	222
1982	3,990,000	931,008,000	233
1983	4,053,000	1,017,900,000	251
1984	4,094,000	1,068,875,000	261
1985	4,124,000 1/	1,135,145,000	275
1986 After Sequestering	4,133,000 2/	1,163,282,000	281
1986 Revised	4,133,000 2/	1,135,145,000	275
1987	4,152,000 2/	1,135,145,000	273

1/ This number reflects the child count used for the distribution of 1985 EHA, Part B funds on July 1, 1985. If subsequent adjustments submitted by the States are incorporated, a revised child count would result of 4,113,000.

2/ Estimate.

1. State grants: b. Preschool incentive grants
   (Education of the Handicapped Act, Part B, Section 619)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$30,000,000	$28,710,000	$31,000,000	+$2,290,000

Purpose and Method of Operation

The Education of the Handicapped Act mandates educational and related services to all handicapped children aged 3 through 21 except that States are not required to serve children aged 3 through 5 if such a requirement is inconsistent with State law or practice, or the order of any court.

Special studies suggest that handicapped infants and children who receive early intervention, under certain conditions, show significant improvement in development and learning along with a reduced need for special educational services in later years, compared with peers who do not receive intervention (Weiss, 1981). To encourage States to expand educational programs to handicapped preschool children aged three through five, this program awards formula grants to States on the basis of the number of children in this age range receiving special education. The grants are described as an "incentive" because these children can be counted twice, once for State Grant Program purposes, and a second time for this grant. Thus, the States receive the basic State Grant Program allocation plus the additional Preschool Incentive Grant money.

The fiscal year 1987 appropriation will become available for obligation on July 1, 1987, for use during the 1987-1988 school year, and will remain available until September 30, 1988.

The Education of the Handicapped Act Amendments of 1983 expanded the age range for service to allow provision of services to children from birth through age two, in addition to those aged three through five. However, the age range used for calculating the allocation of funds remains three through five.

The State educational agencies have considerable latitude in how they use Preschool Incentive Grant funds. They may provide direct services to handicapped children, make discretionary awards to local or other education agencies to provide preschool services, or allow the money to "flow through" to local education agencies on the basis of child count.

Education for the Handicapped

1. State grants: b. Preschool incentive grants

Accomplishments

In the first year of the program's implementation, fewer than half of the State education agencies chose to participate. However, since fiscal year 1978, the number of State education agencies applying for Preschool Incentive Grant funds has increased significantly. During the funding cycle for fiscal year 1985, 55 of 57 eligible agencies elected to participate in the program. From 1977, the year of the first count, to 1985, the number of handicapped preschoolers counted for funding under the program increased by 32 percent.

In 1985, almost 260,000 children were reported by the States as receiving services under the Preschool Incentive Grant program, compared to approximately 243,000 in the previous year. This represents the largest increase under the program in five years. All categories of preschool handicapped children served under EHA increased from 1984 to 1985, with the exception of the multiply handicapped. This is somewhat different from the changes in the count between 1983 and 1984 when the number of children who were identified as speech impaired, learning disabled and deaf-blind decreased, while the number identified as multiply handicapped increased.

The Department has placed a major emphasis on promoting the provision of services by States to preschool handicapped children, particularly children in the younger age ranges. An examination of the statistics submitted over the last five years shows a definite improvement. During 1980, the 16 States that reported serving handicapped children birth through age 2 provided services to 3,080 children. In 1985, these same States reported serving 8,706 children, an increase of 183 percent. In addition, by 1985, an additional 32 States, the Bureau of Indian Affairs and Guam reported statistics for this age range. In total, over 35,000 children were reported as receiving services in 1985. Furthermore, this number may not include all children receiving services since not all States report data on children in this age range. The evidence indicates that an ever increasing number of public, private, and voluntary agencies and organizations are establishing programs for young handicapped children. Since enactment of the EHA Amendments of 1983, which expanded the age range for service to include children from birth through age two, 26 States have applied and received approval from the Department to use Preschool Incentive Grant funds to serve children in this age range. Currently, seven States mandate services for handicapped children starting from birth.

1987 Budget Proposal

In fiscal year 1987, $31 million is requested for Preschool Incentive Grants, an increase of $2.3 million over the 1986 postsequestration level. This level of funding will provide over $116 for each child estimated to be counted for funding under this program, an increase of approximately $7 over 1986. This increase reflects the importance the Department places on the provision of preschool services to handicapped children.

Education for the Handicapped

1. State grants: b. Preschool incentive grants

1987 Budget Proposal — Continued

States may use funds generated by the increase to fund services for children already being served or to serve additional children in the lower age ranges. The increase in funding is requested to encourage States to expand preschool services and thus enhance the opportunities for young disabled children to pursue their full potential.

Impact Data

Below is a summary of children served by the States and funding for the Preschool program:

Fiscal Year	Child Count	Funding	Share Per Child
1977	197,000	$12,500,000	$64
1978	201,000	15,000,000	75
1979	215,000	17,500,000	81
1980	232,000	25,000,000	108
1981	237,000	25,000,000	105
1982	228,000	24,000,000	105
1983	242,000	25,000,000	103
1984	243,000	26,330,000	108
1985	260,000	29,000,000	112
1986 After Sequestering	263,000 1/	28,710,000	109
1987	266,000 1/	31,000,000	116

1/ Estimated

2. Special purpose funds: a. Special populations (Education of the Handicapped Act, Part C Sections 622, 623, 624, 625, and 626)

1987 Authorizations:		
	Deaf-blind centers	$15,000,000
	Severely handicapped projects	5,600,000
	Early childhood education	28,300,000
	Secondary and transitional services	6,660,000
	Postsecondary programs	5,500,000
	Total	61,060,000

Budget Authority:

	1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
Deaf-blind centers.......	$14,764,000	$14,119,000	$11,764,000	$9,000,000	-$2,764,000
Severely handicapped projects......	5,000,000	4,785,000	4,300,000	4,300,000	---
Early childhood education.....	24,000,000	22,968,000	22,500,000	22,500,000	---
Secondary and transitional services......	6,600,000	6,316,000	6,316,000	6,330,000	+14,000
Postsecondary programs......	5,500,000	5,264,000	5,264,000	5,300,000	+36,000
Total, Special populations..	55,864,000	53,452,000	50,144,000	47,430,000	-2,714,000

Purpose and Method of Operation

The special populations activity is directed toward assisting special subgroups of handicapped children, those who are very young, adolescent, and severely handicapped. Grants, contracts and cooperative agreements may be awarded to nonprofit and in some cases, profit-making agencies, organizations, and institutions.

The primary use of funds in this activity is for demonstration projects. All of the programs within the special projects have demonstration grant components. Final priorities for new grants are published annually after public comment. Awards are usually made on a competitive basis in their

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Purpose and Method of Operation -- Continued

first year, and are renewed on a noncompetitive basis for two succeeding fiscal years. Awards are typically made late in the fiscal year with activities carried out in subsequent years.

Additional activities include support for direct services, institutes, special studies, technical assistance, training and evaluations.

Below is a summary of the individual programs within the Special Populations activity.

Deaf-blind centers

This program supports the efforts of State and local education agencies to provide full educational services to children who are both deaf and blind through:

- Deaf-Blind Centers - Support is provided through cooperative agreements to single and multi-State centers: first, for services children the States are not required to serve, and second, for technical assistance with regard to children whom the States are required to serve. Funds not required for these two priorities may be used for direct services to children whom the States are required to serve.

- Technical Assistance - Cooperative agreements are awarded for technical assistance to deaf-blind centers, and technical assistance to State education agencies on transitional services. Initiated in 1984, these awards are directed primarily at capacity building.

- Demonstrations and Special Projects - Support is provided for a wide variety of projects including total life planning, vocational and employment skills, social and communication skills, and comprehensive service delivery systems.

Since 1983, the focus of the centers has been shifting from direct provision of services to State capacity building. The centers provide technical assistance, training, and dissemination of materials and information to those providing services. The purpose of this and other support provided by the centers is to assist States in meeting their responsibility to provide deaf-blind children a free and appropriate public education. This shift in the focus of the centers was reinforced by the Education of the Handicapped Act Amendments of 1983.

Severely handicapped projects

This program assists severely handicapped children attain the highest possible level of independent functioning by addressing their specialized education and training needs. Funds under this program are used primarily for demonstration projects.

Purpose and Method of Operation -- Continued

Early childhood education

This program promotes the quality and quantity of early childhood education services for handicapped children. Young children are specifically targeted since studies have shown that early intervention has high returns in later educational achievement. There are four areas of emphasis:

- Demonstration and Dissemination - Projects are developed which show promise of promoting a comprehensive and strengthened approach to the special problems of handicapped children from birth through 8 years of age. Demonstration grants are awarded to public agencies and private nonprofit organizations for up to three years, with funding provided incrementally each year. The grantees may receive additional awards for outreach to disseminate successful practices to other providers. Demonstration and outreach awards may not exceed 90 percent of the cost of a project. A contract is awarded annually to provide grantees with technical assistance in performing under these grants.

- Grants to States - Grants are made to assist State agencies to plan, develop and implement comprehensive delivery systems for providing special education and related services to handicapped children from birth through five years of age. The Education of the Handicapped Act Amendments of 1983 require that at least 30 percent of the funds appropriated for Early Childhood Education be made available for this purpose. Not less than 10 percent of the 30 percent available for these State grants must be used for technical assistance.

- Early childhood institutes - Contracts are awarded to institutes to conduct and disseminate the results of early childhood education research.

- Special projects - Awards are made for a variety of purposes, such as interdisciplinary pediatric training, evaluations, conferences, and technical assistance.

Secondary and transitional services

The two major purposes of this program are:

- to strengthen and coordinate education, training, and related services for handicapped youth in order to assist them in the transition process to postsecondary education, vocational training, competitive employment, continuing education or adult services; and

- to stimulate the improvement and development of programs for secondary special education.

Projects assisted may include demonstrations, studies, and research and development activities in a wide variety of areas related to secondary and transitional services. Direct participation of handicapped students and the parents of handicapped students in the planning, development and implementation of projects is encouraged to the extent appropriate.

Purpose and Method of Operation -- Continued

Postsecondary programs

This program supports efforts to improve educational programs for postsecondary aged and adult handicapped persons. Two types of projects are funded:

- direct services grants to postsecondary and vocational technical schools for serving deaf students; and
- demonstrations and special projects which develop innovative models for delivery of support services, or modify existing educational programs for postsecondary and adult handicapped students.

The Education of the Handicapped Act Amendments of 1983 require that at least $2,000,000 of the funds available under the program be awarded to four institutions serving the deaf. In 1986, four new grants will be awarded for a three-year period to institutions providing direct services to deaf students. These awards are funded on an incremental basis each year.

Accomplishments

Deaf-Blind Centers

Support for the Deaf-Blind Centers program began in 1968 as part of the response to the special needs of deaf-blind children born during the rubella epidemic of 1963-1965. At the time the program was enacted, many deaf-blind children were receiving very limited services if any. With the enactment and implementation of the Education for All Handicappped Children Act (Public Law 94-142), States assumed responsibility for educating handicapped children, including those who are both deaf and blind. This created an overlap of responsibilities.

A 1983 American Institutes for Research study of the Deaf-Blind Centers indicated that States were capable of fulfilling their responsibilities for providing services to deaf-blind children under the Education of the Handicapped Act. The program emphasis and direction was therefore shifted beginning with the 1983 awards, which provided support for the Centers' operations in 1984.

At that time, a priority was placed on serving children not required to be served by the States, and on providing technical assistance and training to the States. The Education of the Handicapped Act Amendments of 1983 further emphasized the technical assistance and training activities of the Centers.

Demonstration and special projects which have been supported in the past include those dealing with total life planning, adaptation of curricula, prevocational and vocational training, identification of at-risk children, and communication skills.

Accomplishments -- Continued

Deaf-Blind Centers -- Continued

A contract was awarded late in 1985 for the evaluation of the Deaf-Blind Centers demonstration component. No results are available at this time.

Severely Handicapped Projects

Projects have been supported to (1) develop information which addresses the needs identified by educators of severely handicapped children; (2) examine and change, where appropriate, prevailing assumptions concerning the learning capacity of severely handicapped children; (3) provide demonstrations of the best educational practices; and (4) promote the development and implementation of plans for large scale delivery of specialized services to severely handicapped populations.

With passage of the Education for All Handicapped Children Act in 1975, the emphasis of this program shifted from demonstrations to combat popular misconceptions of presumed learning limitations of the severely handicapped, to other areas, especially those concerned with integrating these children in normal school and community settings.

A contract was awarded late in 1985 for the evaluation of the Severely Handicapped Projects demonstrations. No results are available at this time.

Early Childhood Education

The most recent evaluation of the demonstration and dissemination component, which receives over half of the funding under this program, was conducted by Roy Littlejohn Associates, Inc. in 1982. The study covered demonstration projects which had been supported prior to 1981. The results of this study are summarized briefly as follows:

- Projects had been conducted in every State and in several territories, and in urban and rural areas as specified by the legislation.
- Eighty percent (80%) of the 280 projects funded were still continuing to serve children after support under this program terminated.
- More than 30,600 children had been served in continuation projects at no cost to the program.
- Extensive amounts of training had been requested and provided to personnel of other agencies.

No evaluations have been conducted of the grants to States for planning, developing and implementing services for children birth through 5 years of age. It is estimated that in 1986 there will be 27 planning awards, 29 development awards, and 1 implementation award, in addition to an award to provide technical assistance to the States.

Accomplishments -- Continued

Early Childhood Education -- Continued

A contract was awarded late in 1985 for the evaluation of the Early Childhood Education program. However, it has not yet been determined which area the evaluation will focus on.

Secondary and Transitional Services

The Secondary and Transitional Services program was first authorized by the Education of the Handicapped Act Amendments of 1983. Fiscal year 1984 is the first year that this program was funded. Since that time, awards have been made for research into transitional strategies, secondary education, and cooperative planning, and for service demonstration models. In addition, two institutes have been funded. One institute focuses on the effectiveness of intervention and the other concentrates on demographic studies. Plans for new projects in 1986 include new grants for cooperative planning.

A contract was awarded late in 1985 for the evaluation of the Secondary and Transitional Services program. No results are available at this time.

Postsecondary Programs

Postsecondary schools providing direct services to deaf students have been continuously supported since 1975.

The demonstration component of Postsecondary Programs was begun in 1976 with awards to three colleges for the purpose of successfully integrating handicapped students into both the academic and social environments at the institutions. Objectives of these projects were to (1) locate handicapped students; (2) identify their needs; and (3) provide support services, including counseling services, to help them cope with the academic environment. More recently, emphasis has been placed on developing innovative, cost effective models for students in postsecondary settings.

1987 Budget Proposal

The budget policy for 1987 for four programs serving special populations reflects a continuation of program funding at the 1985 and revised 1986 level. Spending restraint is necessary to help control the deficit. Only the Deaf-Blind Centers program is proposed for a reduction, from $11,764,000 in 1986 to $9,000,000 in 1987.

Funding for deaf-blind centers' direct services has been phasing down since 1983, as the States have assumed a greater role in serving children for whom they are responsible. This has shifted program funding into the demonstration projects component, with the result that funding for demonstration projects is now out of proportion to the number of deaf-blind children, service providers, and researchers in this field. Due to a lack of acceptable applications, all

1987 Budget Proposal — Continued

of the new 1985 demonstration grants received initial funding for two or three years. Only 3 of the 22 continuation projects in 1986 require additional support from the 1986 appropriation. The proposed $2,764,000 decrease would reduce the amount of 1987 funds used for full funding of multiyear demonstration projects from a single budget year, thereby aligning budget support with corresponding project years. Funding for the centers component of the Deaf-Blind program would be adjusted upward or downward to ensure that sufficient funds are available to serve children whom the States are not required to serve.

Deaf-blind projects which will be continuing in 1987 will include those dealing with supported employment, service delivery systems changes, transitional skills, in-service training, and total life planning. Most of these projects are anticipated to be supported through obligations made in prior years.

The requested level for Severely Handicapped Projects is $4,300,000. At this level of funding, about 17 percent of the funds available would be used for new projects.

For the Early Childhood Education program, $22,500,000 is requested. The distribution of these funds among the various program components is still under discussion. However, it is expected that funding for most components will be continued at about 1986 levels.

The requested level for Secondary and Transitional Services is $6,330,000. This level is the same as the 1985 appropriation and essentially the same 1986 revised level after sequestration. About 17 percent of the funds available would be used for new projects.

For Postsecondary Programs, $5,300,000 is requested. This level is the same as the 1985 appropriation and essentially the same as the 1986 revised level after sequestration. It will provide $2,000,000 for the continued support of 4 institutions serving deaf students. Of the remaining $3,300,000, over 40 percent would be available for new projects.

Education for the Handicapped

2. Special purpose funds: a. Special populations

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Program funding				
Deaf-blind centers:				
Centers	$8,252,000	$4,935,000	$4,935,000	1/
Technical assistance	902,000	950,000	950,000	1/
Demonstration and other	5,674,000	8,234,000	5,879,000	1/
Subtotal	14,828,000	14,119,000	11,764,000	$9,000,000
Severely handicapped projects:				
New	2,353,000	1,954,000	1,469,000	739,000
Continuations	1,947,000	2,831,000	2,831,000	3,561,000
Subtotal	4,300,000	4,785,000	4,300,000	4,300,000
Early childhood education:				
Demonstration and outreach	14,257,000	12,768,000	12,500,000	1/
Grants to States	6,869,000	7,700,000	7,600,000	1/
Institutes	301,000	1,000,000	1,000,000	1/
Special projects and other	1,073,000	1,500,000	1,400,000	1/
Subtotal	22,500,000	22,968,000	22,500,000	22,500,000
Secondary and transitional services:				
New	6,330,000	822,000	822,000	1,101,000
Continuations	—	5,494,000	5,494,000	5,229,000
Subtotal	6,330,000	6,316,000	6,316,000	6,330,000
Postsecondary programs:				
4 Institutions serving deaf students	2,387,000	2,000,000	2,000,000	2,000,000
Demonstrations and other	2,913,000	3,264,000	3,264,000	3,300,000
Subtotal	5,300,000	5,264,000	5,264,000	5,300,000
Total	53,258,000	53,452,000	50,144,000	47,430,000

1/ Not yet determined.

Education for the Handicapped

2. Special purpose funds: a. Special populations

Impact Data — Continued	1985	1986 after Sequestering	1986 Revised	1987
Number of projects 1/				
Deaf-blind centers:				
Centers	31	38	38	2/
Technical assistance	2	2	2	2/
Demonstrations and other	27	— 2/	— 2/	— 2/
Subtotal	60	2/	2/	2/
Severely handicapped projects:				
New	21	18	13	7
Continuations	24	27	27	30
Subtotal	45	45	40	37
Early childhood education:				
Demonstrations and outreach	126	102	100	2/
Grants to States	57	58	58	58
Institutes	4	4	4	2/
Special projects and other	4	18	17	— 2/
Subtotal	191	182	179	2/
Secondary and transitional services:				
New	37	10	10	10
Continuations	34	59	59	43
Subtotal	71	69	69	53
Postsecondary programs:				
4 Institutions serving deaf students	4	4	4	4
Demonstrations and other	27	33	33	35
Subtotal	31	37	37	39
Total	398	2/	2/	2/

1/ Includes continuation projects funded for more than one year from prior year appropriations.

2/ Not yet determined.

2. Special purpose funds: b. Research and technology
(Education of the Handicapped Act, Parts E and F; Part B, Section 618)

1987 Authorization:	Innovation and development	$22,200,000
	Media services and captioned films	21,100,000
	Special studies	3,440,000
	Total	46,740,000

Budget Authority:

	1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
Innovation and development..	$16,811,000	$16,080,000	$15,811,000	$16,000,000	+$189,000
Media service and capitoned films........	17,429,000	16,676,000	16,429,000	16,500,000	+71,000
Special studies......	3,440,000	3,301,000	2,212,000	2,000,000	-212,000
Total Research and technology...	37,680,000	36,057,000	34,452,000	34,500,000	+48,000

Purpose and Method of Operation

Research and Technology activities are directed primarily toward research in handicapped education and developing and disseminating new technology. In addition, under the Media Services and Captioned Films program, it supports a number of special activities including the National Theater of the Deaf, Recordings for the Blind, and captioning and related activities.

Grants, contracts and cooperative agreements may be awarded to nonprofit and in some cases profit-making agencies, organizations, and institutions. New awards are usually made late in the fiscal year with activities carried out in the subsequent fiscal year.

Below is a summary of the individual programs within the Research and Technology activity.

Innovation and development

The purpose of this program is to improve educational opportunities for handicapped children through research and development activities. The activities supported include development, validation, and testing of new educational approaches to problems specific to the education of

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Purpose and Method of Operation -- Continued

Innovation and development -- Continued

handicapped children. Additional activities include dissemination of reports, curricula, and other products of research to ensure their broadest possible use. The model program activities are designed to demonstrate innovative and exemplary educational practices for serving handicapped children, including those processes which lead to improved systems of coordination and delivery of comprehensive services.

Projects are funded for periods of up to five years and are initially awarded through a national competition. Funds are usually awarded incrementally each year. Contracts may be awarded to profit-making organizations only for physical education and recreation-related research.

Media services and captioned films

The purpose of the Media Services and Captioned Films program is to promote the use of various media for use by handicapped individuals. In 1958, the Congress authorized a program to produce and lend captioned films to deaf persons. This law was later expanded to include the provision of media services for all handicapped persons. There are currently three major program components: (1) captioning; (2) educational media and materials centers; and (3) demonstration and development. In addition, funds are awarded to the National Theater of the Deaf and Recordings for the Blind, Inc., to provide partial support for their educational activities. Projects are generally awarded for a period of one to three years, with continuation beyond the first and second years contingent upon proof of effectiveness and the availability of funds.

Special studies

The purpose of the Special Studies program is twofold:

- To assess progress in the implementation of the Education of the Handicapped Act and the impact and the effectiveness of State and local efforts to provide free appropriate public education to all handicapped children and youth.

- To provide Congress with information relevant to policymaking, and provide Federal, State, and local educational agencies with information relevant to program management, administration, and effectiveness with respect to such education.

Included under this activity are a number of studies mandated under the Education of the Handicapped Act Amendments of 1983. The Amendments also authorize cooperative agreements with State education agencies for studies to assess the impact and effectiveness of programs assisted under the Education of the Handicapped Act.

Education for the Handicapped

2. Special purpose funds: b. Research and technology

Accomplishments

Innovation and development

This program is one of the oldest continuous sources of Federal funding for studies in the field of special education. Research and development projects funded by this program have been conducted by researchers; inventors; curriculum developers; museum administrators; program personnel in the arts, recreation, and physical education; school administrators; and others. The results of these projects include: innovations and inventions which facilitate the achievement of educational goals by handicapped children; curriculum materials to be used directly by handicapped persons; manuals for adults who work with handicapped children; and administrative manuals and assessment materials to be used by State and local government personnel.

Examples of research findings are:

- The application of certain biofeedback procedures to handicapped children can markedly enhance their performance.
- Procedures for enhancing the social skills of handicapped children were developed and shown to be translatable to their community activities.
- The primary variables associated with likelihood for mainstreaming were identified to be IQ, family stability, and the amount of child hostility.

Media services and captioned films

The primary focus of this program has been on the captioning of films and television programs. Program funds have been instrumental in the development of the closed-captioned television system, enabling deaf and hearing-impaired persons to enjoy television on sets equipped with a special decoder unit.

Examples of program accomplishments are summarized below:

- Captioning and recording - materials incorporating the most advanced technological achievements in television and recording have been developed, adapted, produced and distributed. In fiscal year 1986 an award will be made for the manufacture and distribution of about 30,000 Line 21 decoder chips which will increase the access of deaf individuals to closed-captioned television programming.
- Educational media and materials centers and services - specialized educational material and information for the handicapped, their parents and educators have been designed, developed, adapted, and disseminated.

Accomplishments -- Continued

Media services and captioned films -- Continued

- Technology development projects - new or improved approaches to technology which contribute to the adjustment and education of all handicapped persons have been created.

- National Theater of the Deaf - the self-image and the popular image of the deaf have been enhanced through the presentation of plays by deaf actors and actresses. This company has presented major productions throughout the United States and Europe.

- Recordings for the Blind, Inc. - recorded textbooks have been provided to visually impaired learners. This organization distributes about 90,000 recorded books to students, and records 4,000 new texts each year.

Special Studies

The results of special studies have been used in providing technical assistance, training, and public information to carry out the State Grant Program and the Preschool Incentive Grants program. In addition, data from these studies have been used to make informed decisions to redirect program priorities of the regional resource centers and deaf-blind centers away from the provision of direct services, which overlap State responsibilities, and to the provision of technical assistance services.

Studies conducted under this program also provide the basis for the Annual Report to Congress describing the progress being made toward serving handicapped children.

1987 Budget Proposal

Budget policy for 1987 reflects a continuation of program funding for Innovation and Development and Media Services and Captioned Films at the 1985 and revised 1986 level. The proposed reduction for the Special Studies program of $212,000 does not represent a reduction in obligational authority since this amount is not available for obligation in 1986. Section 515 of the Treasury-Postal Service Appropriations Act of 1986 requires that this amount be placed in reserve. Because it is in reserve, it cannot be obligated and will lapse. Spending restraint is necessary to help control the deficit.

The request includes $16,000,000 for the Innovation and Development program. At this level of funding about 39 percent of the funds available would be used for new projects. Continuation projects would include those in the areas of technology effectiveness, enhancing instructional programming options, special populations, extant data bases, learning efficiency, and other projects proposed by public and private organizations.

2. Special purpose funds: b. Research and technology

1987 Budget Proposal

For Media Services and Captioned Films, a level of $16,500,000 is requested. Over half of the funds requested in 1987 would be available for new projects in the areas of captioning and technology development. Captioning awards will provide for the production and distribution of films and television programs.

Continuation support will include funding for both Recordings for the Blind, Inc. and the National Theater of the Deaf, Inc. Under technology development, support will be continued for projects in the areas of new technology and marketing.

The request includes $2,000,000 for Special Studies. This level will finance a strong program of evaluations, studies and data analysis. All studies necessary to carry out the Department's requirements for evaluation will be continued, including a longitudinal study of children leaving special education and a study of Federal, State and local special education expenditures. In addition, support will be continued for a study of day and residential facilities, the preparation of the annual report, and special small scale fast response inquiries.

Education for the Handicapped

2. Special purpose funds: b. Research and technology

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Program Funding				
Innovation and development:				
New	$5,011,000	$3,460,000	$3,191,000	$6,219,000
Continuations	10,851,000	12,620,000	12,620,000	9,781,000
Subtotal	15,862,000	16,080,000	15,811,000	16,000,000
Media services and captioned films:				
Captioning	9,999,000	11,067,000	10,967,000	1/
Recordings for the Blind	540,000	506,000	506,000	1/
Theater of the Deaf	500,000	478,000	478,000	1/
Technology and other	5,409,000	4,625,000	4,478,000	1/
Subtotal	16,448,000	16,676,000	16,429,000	16,500,000
Special studies:				
Studies and other	1,877,000	2,212,000	2,212,000	2,000,000
State cooperative agreements	1,293,000	1,089,000	—	—
Subtotal	3,170,000	3,301,000	2,212,000	2,000,000
Total	35,480,000	36,057,000	34,452,000	34,500,000

1/ Not yet determined.

Education for the Handicapped

2. Special purpose funds: b. Research and technology

Impact Data — Continued	1985	1986 after Sequestering	1986 Revised	1987
Number of Projects 1/				
Innovation and development:				
New	66	53	50	81
Continuations	104	132	132	103
Subtotal	170	185	182	184
Media services and captioned films:				
Captioning	62	72	70	2/
Recordings for the Blind	1	1	1	2/
Theater of the Deaf	1	1	1	2/
Technology and other	27	13	12	2/
Subtotal	91	87	84	2/
Special studies:				
Studies and other	7	7	6	6
State cooperative agreements	11	10	---	---
Subtotal	18	17	6	6
Total	279	289	272	2/

1/ Includes continuation projects funded for more than one year from prior year appropriations.

2/ Not yet determined.

2. Special purpose funds: c. Training and information
(Education of the Handicapped Act; Part D; Part C, Sections 621 and 624)

1987 Authorization:	Special education personnel development	$64,370,000
	Recruitment and information	1,110,000
	Regional resource centers	6,300,000
	Total	71,780,000

Budget Authority:

	1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
Special education personnel development....	$63,906,000	$61,154,000	$49,906,000	$48,000,000	-$1,906,000
Recruitment and information....	1,110,000	1,062,000	1,025,000	1,025,000	---
Regional resource centers........	6,300,000	6,029,000	6,000,000	6,000,000	---
Total, Training and information	71,316,000	68,245,000	56,931,000	55,025,000	-1,906,000

Purpose and Method of Operation

The Training and Information activity is directed toward increasing the number and abilities of teachers, administrators, parents, and other individuals who work with handicapped children.

Grants, contracts and cooperative agreements may be awarded to nonprofit and in some cases profit-making agencies, organizations, and institutions. New awards are usually made late in the fiscal year with activities carried out in the subsequent fiscal year.

Below is a summary of the individual programs within the Training and Information activity.

Special education personnel development

This program assists in meeting the need for an adequate supply of educational personnel competent to deal with the special education needs of handicapped children. The program provides financial assistance through grants to institutions of higher education, and other appropriate nonprofit agencies.

Purpose and Method of Operation — Continued

Special education personnel development -- Continued

Projects are usually funded for up to three years, but awards are made incrementally each year. Although most grantees are colleges and universities, individuals may receive financial aid indirectly through a recipient institution.

In addition, the Education of the Handicapped Act Amendments of 1983 require that 10 percent of the funds appropriated under Part D of the Act (Special Education Personnel Development and Recruitment and Information) be awarded to private nonprofit organizations for training parents and volunteers who work with parents to help them participate more effectively with professionals in meeting the educational needs of handicapped children.

Contracts are also authorized to prepare personnel in areas where shortages exist when a response to that need has not been adequately addressed by the grant process. Up to 5 percent of the funds appropriated for Special Education Personnel Development may be used for such contracts.

Recruitment and Information

The purpose of this activity is to improve the recruitment of educational personnel and dissemination of information concerning educational opportunities for the handicapped. The Education of the Handicapped Act Amendments of 1983 required that two clearinghouse awards be made.

One of these awards:

- Disseminates information and technical assistance on a national basis to parents, professionals, and other interested parties concerning available programs.
- Encourages students and professional personnel to seek and obtain careers and employment in fields related to the education of handicapped children.
- Provides information on available postsecondary programs and services for handicapped children.

The second clearinghouse award provides information focused solely on postsecondary programs and services for handicapped children.

Regional resource centers

Currently, contracts are awarded for the operation of six regional resource centers and a national coordinating center to assist States and, through them, local education agencies to better comply with the mandates of the Education for All Handicapped Children Act.

Purpose and Method of Operation -- Continued

Regional resource centers -- Continued

The goal of the program is to develop quality services for all handicapped children by:

- Working with States and consumer representatives to identify and analyze problems that interfere with the provision of services.

- Linking States with the most recent developments in special education research, technology, and practices that can be used in solving problems.

- Linking States with other States experiencing similar problems and providing assistance in developing solutions for common problems.

- Helping States to adopt new technologies and practices through consultation and the provision of relevant information.

- Working with States to improve the cooperation between professionals and parents of handicapped children.

Accomplishments

Special education personnel development

Since its inception in 1966, almost $900 million has been appropriated for this program for the purpose of improving the quality and quantity of special education and support personnel. Awards are made annually in each State, Puerto Rico, the District of Columbia and several Outlying Areas.

In fiscal year 1986, over 800 awards are expected to be made in a wide variety of training areas including special education, leadership personnel, related services personnel, special innovative projects, rural personnel, parent groups, personnel dealing with the problems of newborns and infants, and State educational agency projects dealing with regular educators and other training needs.

Recruitment and information

This program began in fiscal year 1969 with an appropriation of $250,000 to support information clearinghouse activities and public information features on television concerning services available to the handicapped. In recent years the program has operated through contracts focusing on two areas:

- A media outreach campaign - to promote awareness of the needs of the handicapped through TV and radio announcements, news releases to

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Accomplishments -- Continued

Recruitment and information -- Continued

commercial and public stations, and by encouraging magazine editors to publish materials related to the handicapped.

- Information services - to disseminate information on services available for the handicapped through special information services, distribute information on careers to college students, and develop and distribute information packets to parent organizations, schools and other potential users.

The current clearinghouse awards are funded through fiscal year 1986.

Regional resource centers

The Regional Resource Centers program began in 1969 with support provided to four centers. The mission of the Regional Resource Centers originally was to develop and apply best methods for appraising special education needs and designing programs for handicapped children referred to them. With the passage of the Education for All Handicapped Children Act, the mission of the Regional Resource Centers was modified to that of aiding State and local education agencies, through the delivery of training and technical assistance, to carry out directly a number of State and local functions. Included in these functions were appraisal of handicapping conditions; child placement; the development, implementation and review of individual education programs (IEPs); and the evaluation of child progress.

Starting in 1980, the Regional Resource Centers expanded their operations to include a system for developing and sharing expertise with each other, and with State and local education agencies. New awards have further emphasized the provision of technical assistance to States to improve their capacities to better serve handicapped children.

1987 Budget Proposal

The budget policy for 1987 continues the Recruitment and Information and Regional Resource Centers programs at their 1985 and revised 1986 levels. Spending restraint is necessary to help control the deficit. Only the Special Education Personnel Development program is proposed for a reduction, from $49,906,000 to $48,000,000. The available data on personnel shortages do not support a need for a continuation of the current level of funding.

Focusing resources on areas of personnel shortage under the Special Education Personnel Development program is difficult for a number of reasons. One is a lack of information and understanding about the cause of shortages. For example, it is often stated that there are shortages of teachers in rural areas with small handicapped populations. Do these "shortages" exist because not enough people have been trained as special education teachers, economies

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1987 Budget Proposal — Continued

of scale are lacking to serve these children, salaries are inadequate to attract specialized teachers, or teachers are not interested in locating in rural areas? A survey by the National Center for Education Statistics reported that of 22,900 teachers newly eligible or certified to teach in special education, 5,800 were not teaching and 3,000 were teaching in programs other than special education. Clearly, providing support for training programs will not necessarily alleviate "shortages."

The Department is working to better identify what constitutes a shortage of personnel, how to identify the shortage, and how to focus resources in a way that will relieve the shortage.

About 36 percent of the $48,000,000 requested would be used for new personnel development projects.

The 1987 request for Recruitment and Information is $1,025,000, the same as the 1985 and 1986 revised levels. Both clearinghouses required under the Education of the Handicapped Act would be funded as new three year awards.

The request for Regional Resource Centers is $6,000,000, the same as the 1985 and 1986 revised levels. Regional centers and a national coordinating center would be funded as new projects.

Education for the Handicapped

2. Special purpose funds: c. Training and information

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Program Funding				
Special educaion personnel development:				
New	$16,217,000	$25,746,000	$14,587,000	$17,474,000
Continuations	44,715,000	35,408,000	35,319,000	30,526,000
Subtotal	60,932,000	61,154,000	49,906,000	48,000,000
Recruitment and information:				
National Information Center	695,000	755,000	695,000	1/
Postsecondary Clearinghouse	330,000	307,000	330,000	1/
Subtotal	1,025,000	1,062,000	1,025,000	1,025,000
Regional resource centers:				
Regional centers	5,745,000	5,774,000	5,745,000	5,745,000
National coordinating center	255,000	255,000	255,000	255,000
Subtotal	6,000,000	6,029,000	6,000,000	6,000,000
Total	67,957,000	68,245,000	56,931,000	55,025,000

1/ Not yet determined.

Education for the Handicapped

2. Special purpose funds: c. Training and information

Impact Data -- Continued	1985	1986 after Sequestering	1986 Revised	1987
Number of projects				
Special educaion personnel development:				
New	219	326	168	206
Continuations	623	480	480	387
Subtotal	842	806	648	593
Recruitment and information:				
National Information Center	1	1	1	1
Postsecondary Clearinghouse	1	1	1	1
Subtotal	2	2	2	2
Regional resource centers:				
Regional centers	6	6	6	1/
National coordinating center	1	1	1	1
Subtotal	7	7	7	1/
Total	851	815	657	1/

1/ Not yet determined.

Education for the Handicapped

State Grants - State Grant Program 1/

State or Outlying Area	1985	1986	1986 Revised	1987
TOTAL	$1,135,145,000	$1,163,282,000	$1,135,145,000	$1,135,145,000
Alabama	23,934,370	24,527,635	23,934,370	23,934,370
Alaska	2,331,572	2,389,365	2,331,572	2,331,572
Arizona	13,738,979	14,079,529	13,738,979	13,738,979
Arkansas	12,147,342	12,448,440	12,147,342	12,147,342
California	100,707,368	103,203,616	100,707,368	100,707,368
Colorado	11,609,455	11,897,220	11,609,455	11,609,455
Connecticut	16,932,313	17,352,017	16,932,313	16,932,313
Delaware	3,087,823	3,164,361	3,087,823	3,087,823
Florida	42,377,283	43,427,695	42,377,283	42,377,283
Georgia	27,042,317	27,712,619	27,042,317	27,042,317
Hawaii	3,209,106	3,288,651	3,209,106	3,209,106
Idaho	4,833,919	4,953,738	4,833,919	4,833,919
Illinois	57,874,866	59,309,418	57,874,866	57,874,866
Indiana	26,180,011	26,828,939	26,180,011	26,180,011
Iowa	15,475,012	15,858,593	15,475,012	15,475,012
Kansas	10,759,929	11,026,637	10,759,929	10,759,929
Kentucky	19,522,495	20,006,402	19,522,495	19,522,495
Louisiana	20,827,240	21,343,488	20,827,240	20,827,240
Maine	7,085,542	7,261,172	7,085,542	7,085,542
Maryland	24,028,460	24,624,057	24,028,460	24,028,460
Massachusetts	32,730,112	33,541,399	32,730,112	32,730,112
Michigan	40,982,800	41,998,646	40,982,800	40,982,800
Minnesota	21,793,425	22,333,622	21,793,425	21,793,425
Mississippi	13,835,788	14,178,738	13,835,788	13,835,788
Missouri	26,052,201	26,697,961	26,052,201	26,052,201
Montana	4,161,151	4,264,294	4,161,151	4,161,151
Nebraska	8,146,905	8,348,843	8,146,905	8,146,905
Nevada	3,662,694	3,753,482	3,662,694	3,662,694
New Hampshire	3,844,075	3,939,359	3,844,075	3,844,075
New Jersey	43,989,042	45,079,405	43,989,042	43,989,042
New Mexico	7,555,990	7,743,281	7,555,990	7,555,990
New York	68,286,446	69,979,072	68,286,446	68,286,446
North Carolina	31,564,954	32,347,359	31,564,954	31,564,954
North Dakota	3,088,367	3,164,919	3,088,367	3,088,367
Ohio	52,235,203	53,529,964	52,235,203	52,235,203
Oklahoma	17,277,042	17,705,290	17,277,042	17,277,042
Oregon	11,529,234	11,815,011	11,529,234	11,529,234
Pennsylvania	48,708,205	49,915,542	48,708,205	48,708,205
Rhode Island	4,938,070	5,060,471	4,938,070	4,938,070
South Carolina	19,513,793	19,997,484	19,513,793	19,513,793

Education for the Handicapped

State Grants - State Grant Program 1/

State or Outlying Area	1985	1986	1986 Revised	1987
TOTAL	$1,135,145,000	$1,163,282,000	$1,135,145,000	$1,135,145,000
South Dakota	3,386,408	3,470,347	3,386,408	3,386,408
Tennessee	26,528,904	27,186,480	26,528,904	26,528,904
Texas	76,892,921	78,798,877	76,892,921	76,892,921
Utah	10,908,678	11,179,073	10,908,678	10,908,678
Vermont	2,169,770	2,223,552	2,169,770	2,169,770
Virginia	27,358,034	28,036,161	27,358,034	27,358,034
Washington	17,433,489	17,865,615	17,433,489	17,433,489
West Virginia	11,562,682	11,849,288	11,562,682	11,562,682
Wisconsin	19,698,437	20,186,705	19,698,437	19,698,437
Wyoming	2,629,885	2,695,072	2,629,885	2,629,885
District of Columbia	924,579	947,497	924,579	924,579
Puerto Rico	10,658,769	10,922,969	10,658,769	10,658,769
American Samoa	572,170	586,352	572,170	572,170
Northern Marianas	279,349	286,273	279,349	279,349
Guam	1,642,523	1,683,236	1,642,523	1,642,523
Virgin Islands	1,519,984	1,557,660	1,519,984	1,519,984
Trust Territory	2,138,460	2,191,466 2/	2,138,460 2/	2,138,460 2/3/
Bureau of Indian Affairs	11,239,059	11,517,643	11,239,059	11,239,059

1/ Distribution is based on the formula of multiplying the number of handicapped children receiving special education in each State by 40 percent of the national average per pupil expenditure, and ratably reducing this share based on the appropriation available for distribution. No State may receive less than what it received in 1977. Allocations to the Outlying Areas and the Bureau of Indian Affairs are determined by the Secretary.

2/ At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986; in 1987, funds will be reallocated among other recipients.

3/ Upon enactment of the Compact of Free Association for Palau, amounts appropriated for assistance to Palau shall not be available.

Education for the Handicapped

State Assistance - Preschool Incentive Grants 1/

State or Outlying Area	1985	1986	1986 Revised	1987
TOTAL	$29,000,000	$28,710,000	$28,710,000	$31,000,000
Alabama	340,620	337,213	337,213	364,111
Alaska	70,762	70,054	70,054	75,642
Arizona	233,191	230,859	230,859	249,273
Arkansas	276,454	273,689	273,689	295,519
California	2,400,774	2,376,766	2,376,766	2,566,344
Colorado	212,287	210,164	210,164	226,927
Connecticut	391,596	387,680	387,680	418,602
Delaware	89,990	89,090	89,090	96,196
Florida	816,952	808,782	808,782	873,293
Georgia	526,525	521,259	521,259	562,837
Hawaii	57,236	56,663	56,663	61,183
Idaho	140,071	138,670	138,670	149,731
Illinois	2,267,857	2,245,178	2,245,178	2,424,260
Indiana	543,852	538,413	538,413	581,359
Iowa	614,502	608,356	608,356	656,881
Kansas	278,130	275,348	275,348	297,311
Kentucky	447,714	443,236	443,236	478,590
Louisiana	678,781	671,993	671,993	725,593
Maine	275,559	272,803	272,803	294,563
Maryland	662,907	656,277	656,277	708,624
Massachusetts	730,427	723,122	723,122	780,801
Michigan	1,431,678	1,417,361	1,417,361	1,530,414
Minnesota	930,417	921,112	921,112	994,583
Mississippi	166,789	165,121	165,121	178,291
Missouri	720,925	713,715	713,715	770,643
Montana	174,949	173,199	173,199	187,014
Nebraska	308,649	305,562	305,562	329,935
Nevada	89,319	88,425	88,425	95,478
New Hampshire	113,018	111,887	111,887	120,812
New Jersey	1,361,586	1,347,970	1,347,970	1,455,488
New Mexico	135,264	133,911	133,911	144,592
New York	809,686	801,589	801,589	865,526
North Carolina	688,283	681,400	681,400	735,750
North Dakota	105,976	104,916	104,916	113,284
Ohio	860,661	852,054	852,054	920,016
Oklahoma	637,531	631,155	631,155	681,498
Oregon	155,722	154,164	154,164	166,461
Pennsylvania	952,440	942,915	942,915	1,018,125
Rhode Island	131,911	130,591	130,591	141,008
South Carolina	559,055	553,464	553,464	597,610

Education for the Handicapped

State Assistance - Preschool Incentive Grants [1]

State or Outlying Area	1985	1986	1986 Revised	1987
TOTAL	$29,000,000	$28,710,000	$28,710,000	$31,000,000
South Dakota	100,051	99,050	99,050	106,951
Tennessee	846,240	837,777	837,777	904,601
Texas	2,187,705	2,165,827	2,165,827	2,338,581
Utah	264,269	261,626	261,626	282,494
Vermont	58,577	57,991	57,991	62,616
Virginia	1,095,306	1,084,352	1,084,352	1,170,844
Washington	557,826	552,247	552,247	596,296
West Virginia	256,332	253,768	253,768	274,010
Wisconsin	931,982	922,662	922,662	996,256
Wyoming	43,821	43,382	43,382	46,843
District of Columbia	57,571	56,995	56,995	61,541
Puerto Rico	194,624	192,677	192,677	208,046
American Samoa	1,565	1,549	1,549	1,672
Northern Marianas	---	---	---	---
Guam	12,632	12,505	12,505	13,503
Virgin Islands	1,453	1,438	1,438	1,553
Trust Territory	---	---	---	---

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[1] Distribution is based on the formula of multiplying the number of handicapped children aged three through five receiving special education in each State by the authorized amount of $300. Grants are ratably reduced based on the appropriation available for distribution.

THURSDAY, APRIL 10, 1986.

REHABILITATION SERVICES AND HANDICAPPED RESEARCH

Mr. NATCHER. At this time, we take up the budget request for fiscal year 1987 for Rehabilitation Services and Handicapped Research.

INTRODUCTION OF WITNESSES

We have before the committee Mrs. Madeleine C. Will, the Assistant Secretary for Special Education and Rehabilitative Services.

Before you give us your statement, Mrs. Will, tell us whom you have with you at the table.

Mrs. WILL. Mr. Chairman, I have with me Carol Cichowski and Sue Betka from the Department of Education's Office of Planning, Budget and Evaluation.

Mr. NATCHER. We are delighted to have all of you before the committee.

OPENING STATEMENT BY WITNESS

Mrs. Will, I understand that you are prepared to submit your entire written statement on Rehabilitation Services and Handicapped Research.

Mrs. WILL. That is correct, Mr. Chairman.

Mr. NATCHER. The entire text will be made a part of the record at this point.

[Statement of Mrs. Will follows:]

21A1

DEPARTMENT OF EDUCATION

Statement by the Assistant Secretary for
Special Education and Rehabilitative Services
on
Rehabilitation Services and Handicapped Research

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to discuss the fiscal year 1987 budget request for the Rehabilitation Services and Handicapped Research account, which includes activities of the Rehabilitation Services Administration and the National Institute of Handicapped Research.

The total requested for this account is $1.2 billion, a reduction of $8.8 million from the 1986 revised request level. This 1986 level is essentially level funding from 1985. Our 1987 budget proposal is to continue most programs at -- or slightly above -- the 1986 revised level to help control the Federal deficit. Our proposal includes targeted reductions in Independent Living, Training, and Recreation.

Vocational Rehabilitation State Grants

Our 1987 budget request for Vocational Rehabilitation State Grants is $1.1 billion, the same as the 1985 appropriation and the 1986 revised request level. This level will enable States to maintain their ongoing programs of rehabilitation services to handicapped persons and to continue giving priority to severely disabled individuals. The number of persons served will depend in part on how many new applicants are accepted into the system in 1986 and on the amount of funding provided by the States, but we expect about the same number to be served in both 1986 and 1987 as were served in 1985. We have a contractor looking at caseload trends now to help us determine what in addition to Federal funding influences the size of caseloads. However, it is important to note that the number of persons served is not the only important impact measure. Other important measures include the quality of outcomes achieved and the severity of the disabilities of the persons assisted. We know that States continue to serve an increasing proportion of severely disabled persons, and we continue to emphasize placements in competitive employment.

Client Assistance

We are requesting $6.3 million for the Client Assistance program, which is the same as the 1985 appropriation and the 1986 revised request level. These funds will enable States to continue the client assistance activities mandated by the Rehabilitation Act. A congressionally mandated evaluation of the Client Assistance program is in progress. The results of the evaluation will be available by June 30, 1986.

21A2

Innovation and Expansion

For Innovation and Expansion Grants, we are requesting $9 million. Funding for this program was resumed in 1986 for two specific purposes. One is to help States develop or expand programs to assist disabled youth make the transition from school to employment. The other is to help develop programs that will provide supported employment for severely disabled persons. The funds requested for 1987 will enable the States to continue the projects they will be initiating in 1986.

Service and Demonstration Projects

We are requesting $29.3 million for Service and Demonstration Projects. Projects with Industry, Migratory Worker Projects, and Service Grants to Indian Tribes are proposed for continuation at the 1986 revised request level. A congressionally mandated evaluation of Projects with Industry has been completed, and a report on the findings was forwarded to Congress on February 20, 1986. An increase of $806,000 is proposed to return the Special Demonstration Programs for the Severely Disabled to the 1985 level of $14.6 million. This level will provide for continued funding of the supported employment projects that were initiated in 1985, the current network of spinal cord injury systems, and other demonstrations related to specific severe disabilities. We will also have funds for new demonstrations. No funds are requested for Special Recreation Programs. This is an activity more appropriate for private charities, local organizations, and corporations to finance.

Independent Living

Our 1987 budget request for Independent Living is $22 million for support of Centers for Independent Living. This is the level of funding that was available for the Centers in 1985 and 1986. We are not requesting funds for Comprehensive Services for Independent Living or for Independent Living Services for Older Blind Individuals. The independent living programs are overlapping and duplicative in many ways. Support for more than one program cannot be justified. Independent living services will continue to be provided to severely handicapped persons, including older blind persons, through Centers for Independent Living. Centers have already demonstrated their capacity to provide services to persons who are severely disabled. A report on the congressionally mandated evaluation of the Centers for Independent Living program will be submitted to Congress very soon.

Training

We are requesting $15 million for Training. This is the level necessary to cover continuation costs in all training categories and to continue the current network of continuing education, State inservice, and interpreter training programs. We have inadequate evidence of personnel shortages to direct any additional funds toward alleviating particular shortages, but we are continuing our efforts to collect better data on shortages and on the effects of Federal training assistance.

21A3

National Institute of Handicapped Research

Our request for the National Institute of Handicapped Research is $39 million, essentially the same as the 1985 appropriation and the 1986 revised request level. This funding level will provide for all continuation activities as well as for new awards under several of the Institute's programs. The 1987 budget strategy is to make new awards in field-initiated and priority directed research. We will not make additional, major long-term commitments, thus ensuring that funds in future years will be available to address new research priorities.

Helen Keller National Center

We are proposing $4.2 million for the Helen Keller National Center. This is the same as the 1985 level and slightly above the 1986 postsequestration level. The funding requested will allow the Center to maintain the level and nature of services provided in 1986 to its deaf-blind clients.

Evaluation

Our request for Evaluation is $600,000. The funds requested will allow us to pursue a major new study on the impact of the vocational rehabilitation programs. We need time to complete work already begun and to assess the need for new studies before we can use additional funds. Between 1984 and 1986, we have undertaken evaluations of nearly every program under the Act.

Fiscal Year 1986 Proposed Rescission

For fiscal year 1986, we are proposing a rescission of $75.4 million below the 1986 level following sequestration. These reductions will return most rehabilitation programs to the 1985 appropriated level. This level will allow us to maintain about the same level of services provided in 1985. A few programs will be reduced below the 1985 level to eliminate activities which are duplicative or inappropriate for the Federal Government.

Mr. Chairman, I will be pleased to answer any questions you or your committee may have.

21A4

DEPARTMENT OF EDUCATION

Office of Special Education and Rehabilitative Services

Biographical Sketch

NAME	:	Madeleine C. Will
POSITION	:	Assistant Secretary for Special Education and Rehabilitative Services
BIRTHPLACE AND DATE	:	Hartford, Connecticut, August 9, 1945
EDUCATION	:	Hartford College for Women, 1965, A.A. Smith College, 1967, B.A. University of Toronto, 1969, M.A.
EXPERIENCE	:	
PRESENT	:	Assistant Secretary for Special Education and Rehabilitative Services
1982	:	Member, Maryland Department of Mental Retardation and Developmental Disabilities Expansion Committee to develop criteria for selecting mentally retarded individuals at risk of immediate institutionalization to be placed in community-based programs.
1982	:	Consultant, Rock Creek Foundation, Silver Spring, Maryland
1981	:	Chairman, Government Affairs Committee, Maryland Association for Retarded Citizens
1981	:	Founding Member, Real Rights
1979	:	Chairman, Government Affairs Committee, Montgomery County Association for Retarded Citizens
1977	:	Trustee, Hartford College, Hartford, Connecticut
1977	:	Committee Member, Metro Area Council for Public Information and Advocacy
1975	:	Board Member, Home Care Services for the Handicapped
1974	:	Co-founder, Kensington Nursery School Sheltered Classroom
1970	:	Editorial Assistant, American Enterprise Institute

EFFECT OF SEQUESTER

Mr. NATCHER. Mrs. Will, we want to thank you for your statement.

Now I want to direct your attention to, first, the 1986 revisions. For 1986, as you know, an amount of $52,239,000 is being sequestered under this appropriation account. What information do you have available from the States concerning the effect of these reductions on rehabilitation services?

Mrs. WILL. Even after the requester, there remains a 6.1 percent increase in the funding level over 1985.

Mr. NATCHER. Now, you use the date of 1985. Do you mean 1985 or 1986?

Mrs. WILL. 1985.

Mr. NATCHER. All right. How many fewer disabled people will receive services due to these reductions? Do you have any idea as to numbers?

Mrs. WILL. Despite the reductions, we would anticipate virtually no fewer rehabilitations. The program serves over 900,000 individuals on an annual basis—that is, 900,000 in the active caseload—and successfully rehabilitates approximately 225,000 persons. We would expect these levels to be maintained even with the proposed reductions. There could be a slight decrease in the number of people enrolled into the program; however, the number of applicants have generally been declining despite increases in appropriations.

RESCISSION PROPOSAL

Mr. NATCHER. In 1986, you are also proposing rescissions for 13 separate programs totalling $75,439,000. These rescissions, as you know, are about to expire.

For the record, describe the schedule and the action planned to obligate these funds during the balance of the fiscal year. Could you do that for the record?

Mrs. WILL. Yes, sir.

[Material to be supplied follows:]

23A

Schedule and Action Plan to Obligate Funds Released from Rescission Fiscal Year 1986

Program	($000) Released Amount	Federal Register Announcement Date	Closing Date	Award Date
Basic State Grants:	$45,148	—	—	—
3rd quarter	—	N/A	N/A	4/30/86
4th quarter	—	N/A	N/A	7/01/86
Client Assistance:	112	—	—	—
Final Grant		N/A	N/A	4/30/86
Service and Demonstration Program:	5,503	—	—	—
South Carolina Project	(718)	N/A	N/A	7/30/86
Oregon Project	(4,785)	N/A	N/A	7/30/86
All Other	(-0)	—	—	—
Recreation Programs	2,105	5/12/86	7/11/86	9/15/86
Migratory Workers	7	10/31/85	1/06/86	5/30/86
American Indians	625	10/31/85	1/06/86	6/30/86
Projects with Industry	1,527	5/09/86	6/16/86	9/10/86
Independent Living:				
Part A - Services	5,527	—	—	—
Final Grant	—	N/A	N/A	4/30/86
Part B - Centers	11	4/24/86	5/27/86	8/30/86
Part C - Older Blind	4,785	5/13/86	7/15/86	9/15/86
Training	5,838	4/14/86	6/16/86-7/15/86	9/15/86
Evaluation	1,123	N/A	N/A	9/01/86
NIHR	3,108	N/A	N/A	N/A [1]

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[1] Funds will be used to: fund additional Field-Initiated Research and Innovation projects; augment the funds to Centers where indicated by scope of work; and to restore or augment funds for already announced priority projects in the Research and Demonstration and Knowledge Dissemination and Utilization Programs. These funds will be obligated according to NIHR's already existing plan for making awards in 1986.

REAUTHORIZATION PROPOSAL

Mr. NATCHER. Are all of the programs under this appropriation account authorized for 1987?

Ms. CICHOWSKI. No, sir. The only program authorized for 1987 are the State grant program and the evaluation program. All of the discretionary programs will expire at the end of 1986. We have transmitted proposed legislation to reauthorize these programs for 1987.

Mr. NATCHER. How much is authorized for basic State grants for 1987?

Mrs. WILL. $1,148,356,000.

Mr. NATCHER. Why doesn't the automatic extension provision of the basic law apply to the rehabilitation program?

Ms. CICHOWSKI. It doesn't apply because of the location of the rehabilitation services program in the Department of Health, Education and Welfare's Office of Human Development Services. The only programs the General Education Provision Act automatic extension applies to are those that were housed in the Office of Education in HEW at the time of the Department of Education's organization.

Mr. NATCHER. What is the status of your reauthorization proposal; or are you recommending a simple one-year extension in the existing law?

Mrs. WILL. No, we have submitted a proposal, which should have been received by Congress this week, for a five year reauthorization.

COST SAVINGS OF REHABILITATION

Mr. NATCHER. At last year's hearing, we asked if you had any estimate of cost savings resulting from the rehabilitation program. Have you pursued this matter further?

Mrs. WILL. Yes. We have funded a contract which would help us determine a methodology for measuring the costs and benefits of providing rehabilitation services. We also hope to begin collecting some data this year in a separate study involving some of the more difficult aspects of cost-benefit analysis.

This contract will explore the use of control groups. We hope to collect data which will further enable us to follow up clients to determine whether or not they have continued to receive benefits or whether they have been able to maintain employment. This will be useful in determining the total cost of supporting individuals by the Federal Government versus providing rehabilitation services which lead to employment.

CLIENT ASSISTANCE

Mr. NATCHER. For the Client Assistance program, what data do you have available, Mrs. Will, concerning the program's performance and results?

Mrs. WILL. We have funded 57 projects at an average of $112,000. We have, in addition, undertaken an evaluation of that program. There was some question about the data elements, so the evaluation will not actually get to Congress until this summer.

The CAP programs have undertaken a process of developing media materials such as videotapes and slides to raise awareness of the CAP programs. They provide information and referral services, as well as media services to a variety of clients at the State level in the rehabilitation programs. We are pleased with the progress made in the CAP program.

INNOVATION AND EXPANSION

Mr. NATCHER. In 1987, the budget request includes $9 million for innovation and expansion grants. What guidance have you given to the States regarding the 1986 funding for transitional programs and supported employment, Mrs. Will?

Mrs. WILL. Normally, in the Innovation and Expansion program, the Secretary may determine in what areas up to 50 percent of the funds are to be used if the program priorities are announced 90 days before the start of the fiscal year.

However, we intend to require that 100 percent of the funds be used for transition and supported employment in order to comply with the congressional directive in the conference report. We expect the grants to range in size from $50,000 to over $800,000, and they will be used by the States to perhaps fund some planning activities or to hire a coordinator to begin the process of establishing supported employment programs at the State level.

We view this money as seed money, development monies for the States to use to explore new and innovative ways to serve people in supported employment.

INDEPENDENT LIVING

Mr. NATCHER. As you know, the current law for the Independent Living program contains three parts. Your budget proposes to fund only the part relating to centers. Do you feel that the other two parts can be carried out by the centers? What do you do about the other two, Mrs. Will?

Mrs. WILL. Yes, Mr. Chairman. The administration feels very strongly that part B centers can carry out the fundamental mission of independent living programs. Further, there is a great concern in the Department that with the existence of the three segments of independent living, that we may see great duplication and overlap. Therefore, we are recommending funding of only the center program.

Mr. NATCHER. Do you consider the existing centers for independent living to be State-wide in nature?

Mrs. WILL. Many centers are State-wide, and there are independent living centers in all the States, although each center may not necessarily be funded by the Federal Government. We have found that the part B centers are doing very well in terms of becoming increasingly more self-sufficient in identifying local resources and private sector support, as an alternative to Federal dollars.

TRAINING NEEDS

Mr. NATCHER. The 1984 legislative amendments require a plan for dealing with training needs in the field of rehabilitation. What is the status of this plan, Mrs. Will?

Mrs. WILL. Yes, I believe that that training report should have been delivered to you this week. The question posed to us was to determine some system for allocating training funds based on shortages. Although we agree that there are shortages, and that it is possible to identify shortages, we aren't clear at all as to how the Federal Government, with the use of its training funds, ameliorates or eliminates the training shortages.

I think that the question should actually have been recast in terms of the one I just mentioned: How does the Federal Government affect shortages, eliminate them or ameliorate them?

Mr. NATCHER. Won't your initiatives in transition and supported work create a demand for trained personnel in these areas, Mrs. Will?

Mrs. WILL. Yes. Our budget policy has been to meet the continuation costs in the basic categories in the training program. But we reserved the discretion to target any remaining funds on areas of great need, and one of those areas identified was the development of transition and supported employment specialists in the rehabilitation facilities system, and we have put funds toward that priority.

BENEFITS OF REHABILITATION PROGRAMS

Mr. NATCHER. Mrs. Will, as you well know, you are in charge of programs that entail an expenditure of well over $2 billion. These programs are real important to our committee—education for the handicapped and programs concerning rehabilitation services. How do you feel, generally, about these programs at this time, Mrs. Will? Are we moving along like we should? Do you need any help, Mrs. Will?

The reason why I asked you that, is that, this is a subcommittee that believes in all of these programs to the If you need help, on the record or off the record, you tell us and you will get it. How do you feel about this?

Mrs. WILL. Mr. Chairman, I think that these programs have a proven record of success. I think that they are making it possible for disabled individuals, through education, vocational training and job placement, to become independent, productive citizens. These programs are helping us to reduce the population of institutionalized handicapped people since we know that institutionalization is very seldom warranted and is certainly very costly to our society.

We think that progress is being made, that services in terms of programs of higher quality are being created and are very successful.

COMMENTS TO THE WITNESS

Mr. NATCHER. Mrs. Will, as you know, our Ranking Minority Member on this Committee is Silvio Conte of Massachusetts, who, by the way, is also the Ranking Minority Member on the full Committee on Appropriations. He, too, is very much interested in, and concerned about, the programs that you administer.

He will have a number of questions that will be submitted to you, and you give him good answers, Mrs. Will. He would be here at this particular time, but there are other matters pertaining to the full Committee generally and other Subcommittees that prevent him from attending.

Mrs. WILL. Yes, sir.

Mr. NATCHER. Mrs. Will, as you go along in administering these programs, if you have any problems that come up that we can help you with, I say this to you on the record: You let us know; we'll help you, Mrs. Will.

Mrs. WILL. Thank you, sir. We appreciate that.

Mr. NATCHER. You couldn't ask us to do anything to help you in these programs within reason that we wouldn't do. As I have said thousands of times, here is where we ought to spend our money, Mrs. Will.

You know, we have our overview hearings every year. We had Secretary Baker, and Mr. Miller, our new director of OMB. They appeared this year, and we questioned them about the budget generally. We said this to them, Mrs. Will: Why a 16 percent increase in foreign aid and a 13 percent increase in defense? You want to cut nearly all of the programs, in education and in health. Why do you want to do that?

We say to them time after time, "You know we are not going to accept it." Mrs. Will, we don't intend to—just to be honest with you. We don't intend to accept major reductions in these programs.

We understand fully the seriousness of the deficit. We are going to do something about it this year, but we are not going to do it at the expense of the programs, Mrs. Will, that mean so much to the people in this country.

I hope you agree with some part of what I have said just a little, Mrs. Will. You don't have to say so——

[Laughter.]

But I just hope you agree with a little bit of what I am saying.

Mrs. Will, we appreciate your attending our committee hearing at this time and presenting your requests for the fiscal year 1987. Certainly every consideration will be given to all of your requests.

Mrs. WILL. Thank you very much.

Mr. NATCHER. The committee will now recess until 2 o'clock.

[The following questions were submitted to be answered for the record:]

32A1

STATE GRANT PROGRAM

Mr. Early: Your fiscal year 1987 request of $1.1 billion for State Grants is $45.148 million less than the fiscal year 1986 postsequestration level. Yet you tell us the proportion of severely disabled people being served through this program has significantly increased over the past several years. I would assume that this factor would result in increasing the cost of providing rehabilitation services. Doesn't the States' ability to serve the same number of people sharply diminish due to this?

Mrs. Will: The priority on the severely disabled has existed since 1973. While the percentage and number of severely disabled clients grew steadily until 1981, the number of severely disabled persons served has remained relatively stable since then. We believe the current level of funding is adequate to maintain services to about the same number of clients in 1987 as were served in 1985 and 1986.

Mr. Early: Although your request for the State Grants is decreasing by $45 million from the postsequestration level, your justification states that maintaining the program at this level, which is the fiscal year 1985 level, demonstrates the administration's priority on services to disabled Americans. It doesn't appear to me as though this program is a priority.

How many people do you estimate will be served under your fiscal year 1987 request as compared to the postsequestration level, and in prior years?

Mrs. Will: The Gramm-Rudman-Hollings legislation resulted in the need for the Department to propose a budget which would meet the GRH targets for 1987, including cutbacks where necessary and limits on unnecessary growth. In the face of these severe constraints, the Department request for Vocational Rehabilitation State Grants, which maintains funding at the 1985 appropriation level, demonstrates the administration's priority on services for disabled Americans. This program increased by $245,741,000 (29%) between 1981 and 1985. That is far above the increase that would have been necessary to cover inflation. We believe our 1987 proposal of $1,100,000,000 is adequate.

We do not know how service levels would change with more or less funding. The number of clients served depends on a number of factors, including the mix of services required by a particular pool of clients in a given year. We estimate that roughly the same number of clients will be served in 1987 as were served in 1985 and 1986.

Mr. Early: There are some estimates that the State Vocational Rehabilitation programs are only able to serve one out of every fifteen eligible people. How many people does the Department estimate are not being served due to the lack of financial resources? -- Both Federal and State resources?

Mrs. Will: The Department does not have a firm estimate of the number of persons who may be eligible for public vocational rehabilitation services and are not served due to a lack of financial resources. Eligible disabled persons do not become VR clients for a variety of reasons, including refusal to cooperate. Some of these persons are served by other RSA programs or other private and public sources. For example, rehabilitation is covered by private health and disability insurance, and as a service provided by Worker's Compensation. It is not possible for us to estimate if any disabled persons who desire services are not receiving them from any source or how many of these cases may exist.

EFFECTIVENESS OF REHABILITATION

Mr. Early: According to the information presently available, how effective is the Vocational Rehabilitation program?

Mrs. Will: We are unable at present to provide data on the net effectiveness of the Vocational Rehabilitation program -- that is, outcomes for participants as compared to outcomes for a similar group of individuals who did not participate. We are working to develop such information.

There are some data available on basic program operations. The overall rehabilitation rate, i.e., the percent of successful rehabilitations among those persons whose cases were closed from active status, amounted to 64.2 percent in fiscal year 1985. The majority of these rehabilitated persons, 79 percent, were placed into competitive employment. That is the highest such proportion in at least a quarter of a century. In addition, the severely disabled accounted for 60.3 percent of all persons rehabilitated in 1985.

COST/BENEFIT OF REHABILITATION

Mr. Early: What is its cost benefit ratio?

Mrs. Will: Cost/Benefit studies of the Vocational Rehabilitation State Grant Program have been beset with continuing difficulties. The problems involve disagreement about the objectives of the analysis, basic conceptual issues, and pervasive data deficiencies. (Berkowitz, 1985)

Previous Department estimates contained analytic faults. For example, the method assumed that workers remained employed in at least their present earnings status for the rest of their working lives and did not isolate results attributable to the program from other influences. Since 1983, the Department has been studying ways to improve the basic methodology used to make cost-benefit projections with special attention given to isolating the true effects of vocational rehabilitation. An analysis of ways to calculate costs and benefits as they relate to rehabilitation was completed in December of 1985. A design study to examine various methods of assessing the impact of vocational rehabilitation is planned to begin in 1986.

Mr. Early: Isn't the Federal and State investment in this program returned in approximately four years, as a result of employment and productivity and a decrease in dependency on social services?

32 A 3

Mrs. Will: In a 1982 report it was estimated that the first-year benefits to the Federal and State Governments in the form of increased tax revenues and lower support payments could, if sustained, equal the cost of rehabilitation in four years. The Department has identified deficiencies in this approach which cast doubt on the validity of these figures. We are attempting to address four of these problems in our current studies.

Mr. Early: When will the evaluation study of the program, which I believe is just getting underway, be completed?

Mrs. Will: The reference here is to the Vocational Rehabilitation Impact Study to be awarded in fiscal year 1986. The first stage is a pilot study to develop methods that can be applied to a full scale study of the impact of vocational rehabilitation on its clients. At present, a request for proposal is being developed for this pilot study and should be awarded to begin work in fiscal year 1986. The design stage is expected to be completed in 1987, with a full study to follow.

RECREATION PROGRAMS

Mr. Early: How many Special Recreation Projects would be supported at the $2.105 million postsequestration level?

Mrs. Will: The Department will support 29-30 recreation projects at the postsequestration level of $2,015,000.

Mr. Early: Would all of these be to new grantees?

Mrs. Will: All projects will be new projects; however, some grantees may be those who have previously received grants.

Mr. Early: Is it possible to receive more than one year of support?

Mrs. Will: Under this program we make grants for projects covering one year. Nevertheless, some of our grantees have been successful in several competitions and have received funding for more than one year.

Mr. Early: How many applications have been received for fiscal year 1986 funding?

Mrs. Will: We have not yet received applications. However, we expect to receive approximately 200 applications this year.

Mr. Early: How many handicapped people do you estimate will be served at the postsequestration level?

Mrs. Will: The Recreation Program will serve approximately 16,000 individuals at the postsequestration level.

Mr. Early: Could you tell us, or provide the answer for the record, how many of the fiscal year 1985 grants were awarded directly or indirectly to city, town or county governments?

32A4

Mrs. Will: Three Recreation Projects were awarded to a city, town, or county government in fiscal year 1985.

RECREATION AWARDS

Mr. Early: Provide a list of the fiscal year 1985 grant recipients and indicate the amount of each award.

Mrs. Will: The list follows:

Fiscal year 1985

List of Projects

Name of Applicant	City	State	Amount
Ala. Inst/Deaf & Blind	Talladega	AL	$92,087
Idaho State University	Pocatello	ID	80,870
Calif. State Univ.FDN/Chico	Chico	CA	84,547
Texas Lutheran College	Sequin	TX	70,324
San Juan Unified School Dist.	Carmichael	CA	81,616
University For Man.	Manhattan	KS	62,535
National Wheelchair Athletic Assn.	CO Springs	CO	75,450
W.VA. Div. of Voc. Rehab.	Charleston	WV	60,000
Curative Rehab. Center	Green Bay	WI	55,675
Nat'l Handicapped Sports & Rec. Assn.	Washington	DC	89,925
Utah Independent Living	Salt Lake	UT	91,003
South Central Conn. Reg'l Water Auth	New Haven	CT	59,760
E. Tennessee State Univ.	Johnson City	TN	76,689
Washington State Univ.	Pullman	WA	75,675
Peoria Park District	Peoria	IL	75,254
Easter Seal Soc. of Conn., Inc.	Hebron	CT	92,920
U.S. Rowing Association	Indianapolis	IN	44,110
New Castle State Hospital	New Castle	IN	88,874
Jefferson Parish Public	Gretna	LA	73,590
American Samoa Gov't	Pago, Pago	AS	42,135
Northeast Dupage Spec Rec. Association	Addition	IL	68,092
American College of Puerto Rico	Bayamon	PR	29,797
Inst. of Applied Human Dynamics	Bronx	NY	16,500
Temple University	Philadelphia	PA	79,328
Alabama Easter Seal Society	Jackson Gap	AL	33,789
Society Center for Psych. Rehabilitation	Fairfax	VA	79,000
Vinland National Center	Loretto	MN	90,000
University of Wisc., Mil. Board of Regents	Milwaukee	WI	83,015
Mankato State University	Mankato	MN	73,714
Deutsch Institute, Applied Research	Scranton	PA	73,729

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Mr. Early: You're not requesting funds for the Special Recreation Projects program because in your view it's a low priority, and it would be more appropriate for private organizations to support this kind of program.

Does the Department have any information on how supportive "other sources" are of financing recreation projects for the disabled?

Mrs. Will: We do not have any statistics on non-Federal financing for recreation programs for the handicapped. It should be noted, however, that community recreation budgets which finance a large part of public recreation in the country could be made available to serve handicapped individuals. Many communities already serve handicapped individuals through a variety of recreation programs.

INDEPENDENT LIVING

Mr. Early: Again this year you are not requesting support for the Independent Living Services Program for Older Blind Individuals, and you have requested that the fiscal year 1986 funds be rescinded. The justification indicates you are doing this because a number of Independent Living Centers focus solely on services to blind persons.

How many of the approximately 150 Centers supported are serving only blind individuals?

Mrs. Will: Fifteen of the centers receiving Federal funds focus specifically on blindness. Data reported by these centers in 1985 indicates that over 2,500 older blind persons were served. At least an additional 3,000 visually impaired persons were served by these and other centers in 1985. No new competitions were held from 1983 until 1985, when existing centers were offered an opportunity to expand services on a limited basis. Specifically mentioned as a priority was the expansion of services to blind individuals, and eight new awards were made for this purpose. Four of these newly approved projects focus on the special needs of deaf-blind individuals.

OLDER BLIND INDEPENDENT LIVING SERVICES

Mr. Early: In an explanation of the centers program the justification notes that "older blind persons were among those cited as a priority group from whom services should be expanded."

Would you comment on that, in light of the request to eliminate the funds now available for this population?

Mrs. Will: The Justification merely quotes the language authorizing the program. While we agree in principle, we believe there is no reason blind or older blind persons should be served in separate programs segregated from other disabled persons. These clients can and should be served through the Independent Living Centers program which we have proposed at a stable funding level for 1987.

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Mr. Early: Once the time clock on the fiscal year 1986 rescission expires, how long will it be until the Older Blind Project grants are awarded?

Mrs. Will: I have signed the announcement for these grant awards and it is in the Department awaiting transmittal for publication in the Federal Register. Applicants will be given 60 days in which to apply after publication, at which time all applications will be reviewed by qualified Federal and non-Federal reviewers. Assuming we publish the notice in May with a closing date in July, our final funding decisions should be made in late August. The actual awarding of grants to successful applicants is therefore expected by September.

Mr. Early: Have you received the grants applications for this program yet? If so, how many applications have been submitted?

Mrs. Will: We do not expect to begin receiving applications until June. The RSA Regional Offices will be asked to inform us of the number of State vocational rehabilitation agencies, the only eligible applicants, who plan to apply. If all State agencies apply, there could be 83 applications. However, this number includes 26 States which have 2 agencies, one for the blind and one for other disabilities. It is unlikely that these agencies would submit competing applications, which reduces the potential pool of applicants to 57.

Mr. Early: What will the average size of the grant awards be at the postsequestration level?

Mrs. Will: The postsequestration level is $4,785,000 for this program. We expect that about 24 projects will be approved for funding, with an average grant award of approximately $200,000. Project periods will be for 12 months.

INDEPENDENT LIVING CENTERS

Mr. Early: Could you tell us what the average size of the Independent Living Centers grants have been over the past several years?

Mrs. Will: The average grant award under Title VII, Part B, prior to fiscal year 1985 was over $200,000. However, the range was from $100,000 to $600,000. A few of the larger grants are due, in part, either to the consolidation of applications to reduce paperwork, or where both the general rehabilitation agency and the State agency for the blind submitted a joint application. In fiscal year 1985, we had a limited competition in which existing centers could apply for new funds to expand services to unserved groups of disabled persons and to initiate transitional services for severely disabled persons leaving secondary schools or institutions. There were 39 new successful grantees in 1985 and the average grant award was about $49,000.

Mr. Early: Have the fiscal year 1986 awards been made? If so, provide a list of the Massachusetts grant recipients, indicating the amount of each award.

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Mrs. Will: I have signed the application notice and we are awaiting its publication in the Federal Register. We anticipate that the awards for the 12 month project period beginning October 1, 1986 will be made in late September. Sufficient funds will be available to make continuation awards to all grantees who received awards in fiscal year 1985. Following is a list of fiscal year 1985 Massachusetts grantees, their funding levels, and contract centers.

Massachusetts Rehabilitation Commissioner (Grantee)
Boston, Massachusetts

Funding Level: $600,000

Contract Centers:

Boston CIL
Boston, Massachusetts

Independent Associates, Inc.
Elmwood, Massachusetts

Northwest IL Program
Lawrence, Massachusetts

Stavros, Inc.
Amherst, Massachusetts

The Centers for Living and Working
Worchester, Massachusetts

D.E.A.F., Inc.
Allston, Massachusetts

AD LIB Inc.
Pittsfield, Massachusetts

Renaissance Club
Lowell, Massachusetts

Massachusetts Commission for the Blind (Grantee and Center)
Boston, Massachusetts

Funding Level: $220,578

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Mr. Early: How many of the fiscal year 1986 awards will go directly to State Vocational Rehabilitation agencies, and what is the average size of these awards?

Mrs. Will: Of the 125 fiscal year 1986 continuation grant awards, most will be awarded directly to the 83 State Vocational Rehabilitation agencies. The majority of the grant awards will average at least $200,000 each. However, some grants, especially those awarded under the competition to expand services for additional disabled groups and transitional services, will be approximately $50,000 each.

Mr. Early: You're not requesting funds for Part A, Comprehensive Services, because you believe this program duplicates other rehabilitation programs. However, as I understand it, this program is directed to serving those whose disabilities are so severe that they do not have the potential for immediate employment but may benefit from these services. I would think that these grants would enable the States to reach out to these most severe cases, because the funding limitation on the State Grant program may force States to focus attention on those who have immediate employment capabilities. Would you comment on that?

Mrs. Will: Part A is duplicative of the Part B Independent Living Centers program which is the primary source for independent living services. These centers serve persons with a wide variety of disabilities and focus primarily on the severely disabled. Approximately 75 percent of persons who receive services through the Centers have severe disabilities. In addition, the Vocational Rehabilitation State Grant program has had a priority on serving severely disabled persons since 1973. Severely disabled persons now comprise over 60 percent of those served under this program.

NATIONAL INSTITUTE OF HANDICAPPED RESEARCH

Mr. Early: Will any reduction in the Research and Training Centers and Engineering Centers activities be necessary due to the fiscal year 1987 request, as compared to the fiscal year 1986 enacted level, and the postsequestration level? If so, explain.

Mrs. Will: No, under the 1987 request level, the National Institute of Handicapped Research will be able to continue the activities for the 37 existing Research and Training Centers and 16 Engineering Centers supported under the fiscal year 1986 postsequestration level. Additional funds, however, may be made available in 1986 to some centers for program enhancement activities and special projects. These additional funds would be available at both the 1986 enacted level and the postsequestration level.

RANDOLPH-SHEPPARD ACT ENFORCEMENT

Mr. Hoyer: Mrs. Will, what is the status of the task force which you established to analyze the priority afforded licensed blind vendors in the operation of cafeterias on Federal property? Are you suggesting any changes based on this staff work?

Mrs. Will: The Office of Special Education and Rehabilitative Services established a task force to ensure the priority afforded licensed blind vendors in the award of cafeteria contracts on Federal property. This task force was formed in the early Spring of 1984 and functioned until early 1985. At that time, the activities of the task force were seriously affected by the District Court's decision in the case of Randolph-Sheppard Vendors of America, et. al., plaintiffs vs Casper Weinberger, et. al., defendants. This litigation involves the award of fast food contracts by Federal property managers. The court found for the Department of Defense. The decision is on appeal with the District of Columbia Federal Circuit Court of Appeals. Because the decision in this case will affect the policies, procedures and agreements developed by the task force, its activities have been suspended pending the results of the litigation.

Mr. Hoyer: What is the status of the litigation concerning the award of Fast Food Contracts to the McDonald's Corporation and the Burger King Corporation by the Department of Defense?

Mrs. Will: In Randolph-Sheppard Vendors of America, et. al., plaintiffs, vs. Casper W. Weinberger, et. al., defendants, the District Court has ruled in favor of the Department of Defense and dismissed the complaints.

On January 25, 1985, the plaintiffs filed an appeal from the decision with the District of Columbia Federal Circuit Court of Appeals. The parties filed briefs and presented oral arguments on January 22, 1986.

The Department is maintaining its policies and practices in the Federal administration of the Randolph-Sheppard program pending the outcome of the appeal.

HEAD INJURY

Mr. Hoyer: I have worked with the United Cerebral Palsy Association of my county and the Maryland Rehabilitation Services Administration, as you may know, on various projects. Recently, I wrote you on one such project which has been submitted to your office in the form of a grant application by the Maryland Rehabilitation Center. It is designed to cover a gap in the rehabilitation of individuals with head injuries to help them lead productive lives. When do you expect to issue grant notifications?

Mrs. Will: In fiscal year 1986, we announced four priorities in the Special Projects and Demonstrations for the Severely Disabled program and 234 applications were received. One priority was for persons who have sustained severe traumatic head injuries and a total of 54 applications were submitted under this priority, including the one from the Maryland Rehabilitation Center. The review of all applications is scheduled to be completed by the end of May, and final funding decisions are planned by late June or early July.

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COMPREHENSIVE REHABILITATION CENTERS

Mr. Hoyer: As I understand it, the Maryland Center is one of nine Comprehensive Rehabilitation Centers in the country. What kind of Federal support do these centers receive?

Mrs. Will: The centers are funded out of the Basic State Grant which the States receive to operate the Vocational Rehabilitation program. Some States have made the decision to provide services to some clients through these State operated comprehensive centers.

Mr. Hoyer: Where are the other centers located?

Mrs. Will: Quite a few States have established comprehensive rehabilitation centers to serve vocational rehabilitation clients. A list of locations of some of the larger centers operated by State vocational rehabilitation agencies includes:

Hot Springs, Arkansas
Warm Springs, Georgia
Fishersville, Virginia
Columbia, South Carolina
Thelma, Kentucky
Birmingham, Alabama
Johnston, Pennsylvania
Institute, West Virginia
Des Moines, Iowa

Mr. Hoyer: How many applications were there for funding this type of rehabilitation and how many were funded?

Mrs. Will: The Federal Government is not funding these centers directly. They are funded out of the Basic State Grant funds which the State receives to operate the Vocational Rehabilitation program.

MARYLAND OFFICE OF SPECIAL SERVICES

Mr. Hoyer: As you may recall, the United Cerebral Palsy Association of Prince George's County received a three year grant from your office. It is called the "PLANS" Project, or "Planned Linkages Among Needed Services."

I want to thank you on behalf of the recipients of this program for making this award.

As you are aware, the program is designed to do what you say -- on page 318 of your justification -- is one of your three major goals for the State Grant Program; that is, improving the transition from school to work for handicapped youth. What portion of your budget is designed to address the goal?

Mrs. Will: While we have established each of the three goals referred to as priorities, we have not designated a specific amount of funds to be devoted to each priority. The funding mix depends, in part, on the number of qualified applications we receive. In addition to the funding for Transition Projects provided through the State Grant Program, we have continued to fund supported employment projects under Special Demonstrations for the Severely Disabled. This year, through the Innovation and Expansion program, 32 A 11

funds will be awarded to support transition and supported employment for the first time. Other programs focusing on the transition from school to work include the Secondary and Transitional Services program under Education for the Handicapped.

COST/BENEFIT OF REHABILITATION

Mr. Conte: Mrs. Will, I asked you last year about the amount of benefits that result from the investment of $1 in rehabilitation funds, and you told me you'd just awarded a contract to study that. Do you now have any good estimate on what the return on investment is with this program?

Mrs. Will: There are a number of problems with the accuracy of cost/benefit ratios such as overly simplistic forecasting of future earnings, limitations of available data, and questionable underlying assumptions. The study you refer to is entitled "An Analysis of Costs and Benefits in Rehabilitation" and was commissioned to examine the problems involved with conducting cost/benefit analyses of rehabilitation programs. It was conducted by the Bureau of Economic Research, Rutgers University. A final report was submitted in December 1985.

The study looked at pertinent cost/benefit models, data collected by the Rehabilitation Services Administration, alternative data such as that collected by States and the Social Security Administration, and alternatives for experimental designs. Based on this information, a request for proposals is being developed for a design study to pilot test methods to assess the impact of vocational rehabilitation.

INFLATION INCREASES

Mr. Conte: You know with both this program and the Education for the Handicapped program, you told us last year that you were coming in with a proposal for a one-year freeze, with increases for inflation in the out years. You're asking us to rescind the additional money we gave you for 1986, but there's no inflationary increase for fiscal year 1987. The administration and OMB shouldn't come squawking about supposed deals on Defense levels if they're not willing to hold up other bargains as well. Do you know why an inflationary increase wasn't included in your budget?

Mrs. Will: Federal support for special education and rehabilitation State Grants increased by 25 percent between 1982 and 1985. Given the need to reduce Federal spending, increases cannot be justified. Maintaining these programs at their 1985 levels in the face of Gramm-Rudman-Hollings deficit reduction targets demonstrates the administration's priority on services for the disabled. We believe these levels are adequate to maintain program services. If additional funding is necessary, it should come from State and local resources.

HEAD INJURY

Mr. Conte: Mrs. Will, you know I've been doing my best over the years to make the Department aware of the problems faced by the head injured. You've been great on this, and I think we're really starting down the right road. One problem that I'm aware of, though, is that current treatments for the head injured focus primarily on the medical side, with little psychosocial rehabilitation or behavioral interventions, which are really needed to make a recovery successful. What do you think about this, and what can we do to bring attention to the other side of the recovery process?

Mrs. Will: I believe that a very broad spectrum of services is essential if head injured persons are to achieve the highest level of recovery that is possible for them. These services must include excellent care at the scene of the injury, in the hospital, rehabilitation center, nursing home, and the independent living center. All community resources that may be key to a successful outcome for the patient must also be incorporated into the rehabilitation process. From the onset of hospital care until optimum recovery has been achieved, a high facility of psychosocial rehabilitation services and behavioral interventions are the keystone of the rehabilitation process for these persons.

It is important for the public to be better informed about the psychosocial problems caused by head injury and what can be done about them. We must raise the level of expectations for brain injured persons and see to it that services are available in these communities and meet their expectations.

To reach this goal, RSA regional offices through the Rehabilitation Continuing Education Programs are conducting training which focuses on such matters as neuro-psychological assessment, independent living, vocational assessment and supported work. The Institute of Rehabilitation Services at the Wisconsin State Research and Training Center gives special emphasis to cognitive rehabilitation for persons with head injury.

The Rehabilitative Services Administration is encouraging State vocational rehabilitation agencies to be involved in Statewide planning activities which focus on psychosocial rehabilitation services.

A model State plan for vocational rehabilitation of head injured persons which will give appropriate attention to psychosocial rehabilitation services and behavior modification is also being developed by the Rehabilitative Services Administration.

Mr. Conte: I also understand that you're funding specific research and training centers for brain trauma and mental illness. Given the parallels that exist between the chronically mentally ill and the head injured, it appears that a lot could be accomplished with this collaboration.

Do you agree with that assessment?

Mrs. Will: Yes, I do agree that the Rehabilitation Research and Training Centers should collaborate on this important issue. You may be interested to know that the staff of the National Institute of Handicapped Research have been meeting with staff of the National Institute of Mental Health regarding the specific mental health-behavioral aspects of traumatic brain injury. Also, we have discussed this type of collaborative effort with our Brain Injury and Mental Illness Research and Training Centers and they have agreed to meet this spring to jointly plan appropriate next steps in research and professional education.

SUPPORTED EMPLOYMENT

Mr. Conte: Obviously you liked the supported employment initiative that was included last year. You've asked for the funds again in 1987.

What will this program mean for severely handicapped individuals, and what kinds of projects will the States be undertaking with this money?

Mrs. Will: The funding requested for 1987, in the category of Special Projects for the Severely Disabled, will be used to continue 10 supported work projects funded for the first time in fiscal year 1985. These 10 projects were awarded in 1985 for a five year demonstration to develop Statewide networks of supported employment for persons with very severe disabilities for whom competitive, integrated employment had not previously been possible. Funding this program will mean that the most severely disabled persons for whom competitive, integrated employment has not been possible will be given the opportunity to be placed in appropriate work settings/activities.

TRANSITION

Mr. Conte: What is the Rehabilitation Administration doing to share the responsibility for these kinds of transitional services with the Special Education Program? Are we getting good coordination?

Mrs. Will: Most transitional projects are funded by the Special Education Programs whereas supported employment projects are funded by the Rehabilitation Services Administration. Coordination of these projects occurs primarily at the local level. Supported work projects look to transitional services providers to prepare their clients for employment, independent living, and related activities. Transitional service providers look to supported work projects as one option for vocational placement in a continuum of possible placements.

PROJECTS WITH INDUSTRY

Mr. Conte: Can you summarize for us the findings of the latest evaluation of the Projects with Industry program?

Mrs. Will: The latest evaluation of the Projects with Industry program was completed and transmitted to Congress on February 20, 1986. A brief sumary of the study's findings are as follows:

- o The Projects with Industry program has been directed toward the legislative intent of the program -- placing disabled people into competitive jobs. Projects with Industry are a

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mechanism by which rehabilitation can reverse past emphasis on dependency and support programs for the integration of disabled individuals into private employment.

- For the Federal investment of about $1,400 per person, during the 1983-1984 year, approximately 8,400 or 50 percent of those participating in the program obtained jobs in the competitive market as a direct result of Projects with Industry services.
- During this same period, the average individual gain-in-earned-income was $150 per week for a cumulative gain of well over $1.2 million per week.
- The evaluation established that Projects with Industry is considered to be a successful program by participating employers. Nearly 5,000 business persons and rehabilitation professionals around the country have donated time to Projects with Industry by serving on advisory committees.
- However, most of the persons served by the Projects with Industry program are referred by State Vocational Rehabilitation programs for placement assistance. This service is also provided by the State agencies.
- The overall net effectiveness of the Projects with Industry program cannot be determined by this evaluation because it did not compare outcomes for disabled persons participating in the program with outcomes for a similar group of persons who did not participate.

Mr. Conte: With the rescission you're requesting for fiscal year 1986 will you still be able to continue all the current Project with Industry Projects?

Mrs. Will: The requested rescission level of $13 million is sufficient to fund each of the 98 projects at the same funding level as in fiscal year 1985.

Mr. Conte: Is that true for fiscal year 1987 as well?

Mrs. Will: The requested level for fiscal year 1987, $13 million, will allow for funding of the 98 projects at the 1985 level. However, we anticipate conducting a competition for fiscal year 1987 awards. We project that approximately 100 projects would be funded.

SPECIAL RECREATION PROJECTS

Mr. Conte: When the rescission request for the Special Recreation program is not approved, how many awards will you be making?

Mrs. Will: At the postsequestration level of $2,105,000, 29-30 awards will be made for Recreation Projects.

Mr. Conte: Can you tell us why this program is continually proposed for termination? Is it simply a matter of funds, or what?

Mrs. Will: The administration has proposed to terminate the Recreation Program because it is a low priority item more appropriate for private charities, local organizations, and corporations to finance. Recreation has traditionally been a responsibility of local governments and private organizations. Localities have and will continue to involve handicapped individuals in recreation programs without Federal assistance.

INDEPENDENT LIVING

Mr. Conte: Under the Centers for Independent Living, to what extent are we seeing a growth nationally in the number of these centers?

Mrs. Will: The most significant growth in the number of centers occurred from fiscal year 1979 through fiscal year 1982, primarily as a result of Federal funds being available. The 1984 amendments to the Rehabilitation Act required that all grantees funded in 1981 and 1982 must be funded through September 30, 1986, so we have not conducted an open competition for several years. However, Federal funds are now assisting, in whole or in part, 167 centers located in each of the States, the District of Columbia, Puerto Rico, the Virgin Islands and American Samoa. We do not have accurate information on growth in the numbers of non-federally supported centers. We know that State legislatures have authorized State funds for some new centers, and in a few instances, there have been local nonprofit agency initiatives to establish centers for independent living.

Mr. Conte: Are the Federal dollars providing seed money to establish new centers, or are we just maintaining the centers we've already got?

Mrs. Will: The purpose of this program was to provide seed money to help establish centers for independent living. However, we have not conducted a competition to establish new centers since fiscal year 1982 because of congressional mandates to continue the existing centers. There was a small competition in fiscal year 1985 which was open only to existing centers to either expand services to unserved disability groups, or to assist severely disabled persons with the transition from secondary school or institutional settings to community living. Thirty-nine of these limited awards were made in fiscal year 1985 in average amounts of less than $50,000. We hope to be able to resume having open competitions early in fiscal year 1987. We support the concept of competition and believe it would result in the establishment of new centers and improved services for disabled persons.

Mr. Conte: Do you know to what extent the developmentally disabled are able to access these centers, and can you think of ways that we might get them more involved in the services these centers provide?

Mrs. Will: While we have consistently encouraged the centers to provide services to a broad range of disability groups, our most recent information indicates, for example, that only about 3.3 percent or 1,565 of the persons assisted by the centers are mentally retarded. Through setting priorities for centers to serve as broad a range of disability groups as possible and new competitions, we hope to increase center involvement with the developmentally disabled population.

Mr. Conte: What is the status of the report Congress asked you to do on these centers?

Mrs. Will: The report on the Independent Living Center program is in the final stages of clearance within the Department. It should be transmitted to the Congress within the next few weeks.

Mr. Conte: Under the Part A program, are you prepared to award the full $10.5 million if the rescission request is not approved?

Mrs. Will: Yes, we are prepared to award the full $10.5 million provided for the Part A program.

Mr. Conte: When would that money go out?

Mrs. Will: During the first part of the fiscal year, States received approximately $4 million under this program. Grant awards in the amount of $6.5 million will be issued by the end of April or the first part of May.

FUNDING DIFFERENCE WITH HANDICAPPED EDUCATION

Mr. Conte: As I look at these two programs, handicapped education and then rehabilitation, it seems to me that a problem may exist in the way the programs complement each other. With handicapped education we've got a program that's providing about $4 dollars to every $100 spent, but in rehabilitation, we have just the opposite. The Federal Government is spending about $80 of each $100.

Does that create any problems that you're aware of, and do you think there are constructive ways to get the State more involved in the rehabilitation program?

Mrs. Will: I am not aware of any problems directly related to different Federal funding proportions of the programs. Education, including the education of handicapped children, is primarily a State and local responsibility. It is felt that, like other children, handicapped children should be primarily supported through the public school system. The rehabilitation system, on the other hand, is more complex. It consists of a wide variety of public and private sources of support including company and individual disability insurances, the Veterans Administration, Worker's Compensation, and State programs, in addition to Vocational Rehabilitation State Grants. We do think it is appropriate for the States to contribute a greater share than has been required in the past. We have submitted a legislative proposal to increase the State matching requirement from 20 percent to 25 percent. We hope this will increase the stake of the States in the Vocational Rehabilitation program and thereby stimulate improvement in the program.

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DAY ACTIVITY CENTERS

Mr. Conte: What role does Vocational Rehabilitation play in moving severely disabled people from day activity centers to competitive employment settings?

Mrs. Will: Most severely disabled persons who attend day activity centers need ongoing support to perform in a competitive employment setting. Such support can be provided through supported employment programs. The funding requested for 1987 under Special Projects for the Severely Disabled will be used to continue 10 supported work projects funded for the first time in fiscal year 1985. These 10 projects each support a five year demonstration to develop Statewide networks of supported employment for persons with very severe disabilities for whom competitive, integrated employment has not previously been possible. Funding these programs will mean that the most severely disabled persons, especially those in day activity centers, will be given the opportunity to be placed in appropriate work settings/activities.

Mr. Conte: Do you have any figures on whether the population in these activity centers is growing or not?

Mrs. Will: I do not; however, I am aware that State waiting lists for these programs are growing as severely disabled youth graduate from Special Education Programs.

Mr. Conte: Do you think that some of the money invested in these activity centers, some of which is State money and some of which is Medicaid money, I guess -- do you think some of that could be better invested in Vocational Rehabilitation programs?

Mrs. Will: Money would be better invested in support of rehabilitation services for severely handicapped individuals in activity centers who have potential for vocational rehabilitation. We believe that the supported employment approach provides the most promising opportunities to help these individuals to become productive workers.

RANDOLPH-SHEPPARD ACT ENFORCEMENT

Mr. Conte: I gather that the problems blind vendors were having with the GSA Cafeteria were not settled the way they would have liked.

Do you know if they were allowed to bid on the contract for the cafeteria operation?

Mrs. Will: GSA resolved the issue by withdrawing the national fast food contract. Subsequently, GSA directly negotiated a sole source contract with the District of Columbia State Licensing Agency to establish Randolph's Emporia at the GSA headquarters building in Washington, D.C. This cafeteria is currently operated by a licensed blind vendor.

Additionally, GSA has revised its guidelines for future solicitations for cafeteria contracts. This revision strengthens the priority afforded licensed blind vendors by allowing direct negotiations with State licensing agencies for initial awards, as well as for cafeteria contracts up for renewal.

Mr. Conte: What is the status of the Department's review of the entire Randolph-Sheppard program? Have you come up with any report we could have a look at?

Mrs. Will: The Department has no plans to review the Randolph-Sheppard program at this time. However, under the 1985-1986 Rehabilitation Services Administration's management improvement goals, each Regional Office will conduct program reviews of at least two State licensing agencies to identify problems and provide technical assistance for remedial action. In addition to the annual report of the vending facility program, a report of these reviews will be prepared by the end of this fiscal year.

DEAF INTERPRETER TRAINING

Mr. Pursell: Who are the individuals who reviewed the proposals for Deaf Interpreter programs?

Mrs. Will: The Secretary uses independent peer reviewers from the field to rate all applications according to the requirements set forth in CFR 34 Part 396, to ensure the objective evaluation and selection of qualified grant recipients. The Department has taken a number of actions to obtain high quality evaluators and assure that all applications receive fair and impartial consideration. As part of the process, a pool was developed of 91 individuals who were knowledgeable about interpreter training. From this pool, 25 persons were available and agreed to serve as reviewers for the 1985 competition. These 25 persons were determined to have sufficient expertise to evaluate applications for this program. Six individuals from this group were selected to serve on two panels of three members each. Following is a list of the six reviewers used for this competition.

Dr. Richard K. Johnson
Ms. Cathy Anne Caplicki
Ms. Barbara M. Sweeney
Dr. Alan T. Hurwitz
Ms. Sue Carol Griebler
Dr. Dennis Cokely

Mr. Pursell: What are their backgrounds in the areas of education, interpretation, and interpreter education?

Mrs. Will: The six panelists included two individuals who were deaf, two who were parents of deaf individuals and two who were interpreters for deaf individuals. The panelists consisted of three Federal employees and three non-Federal individuals.

In reviewing the qualifications of potential panelists, their entire backgrounds were taken into account, as well as their backgrounds in education, interpretation and interpreter education. In the area of education, three had Doctorate degrees -- one Ph.D. in sociolinguistics, one Ed.D. in education and rehabilitation administration, and one Ed.D. in curriculum and training-- and three had Masters degrees -- one in human resource development, one in rehabilitation counseling, and one in special education.

In the area of interpretation, two had served as interpreters, two were deaf and worked with interpreters for many years, and two were involved with interpreters, either as a parent of a deaf child, or with deaf consumers and professional organizations.

In the area of interpreter education, all had experience with some aspect of interpreter education, such as the development and administration of interpreter training programs, establishment of interpreter standards or conduct of training activities.

Mr. Pursell: How are these individuals selected?

Mrs. Will: Peer reviewers were selected from a specially created resource pool of professional people. Non-Federal reviewers were selected by requesting professional and voluntary organizations in the field of deafness to sub it names of persons whom they considered qualified to serve as reviewers. Federal employees who had served in this capacity previously, were knowledgeble, or had served as consultants on deafness and interpreting issues were selected from staff of the Department of Education and other Federal agencies.

After reviewing the qualifications and backgrounds of persons nominated, a total of 91 potential peer reviewers were selected. Of that number, 38 did not respond to the invitation to be considered as reviewers; 28 declined to serve for this particular review period for a variety of reasons; and 25 agreed to serve. Final selection of the six reviewers used was made at random from this pool.

Mr. Pursell: By what means did you determine that they have expertise in the field and are, in fact, peer reviewers?

Mrs. Will: The basic criterion used to determine whether a person was qualified to be on the list of potential field reviewers was that they be knowledgeable in a discipline related to interpreter training. These disciplines included administrators or key personnel of organizations concerned with the delivery of interpreter services.

We believe that having a range of skills and disciplines related directly to interpreter training is useful in providing a balanced perspective in evaluating the applications. The reviewers, after making independent evaluations, discuss each application in three-member panels and together provide a rating which reflects the experience and insight of the panel members.

Section 75.217 of the Education Department General Administrative Regulations -- EDGAR -- was adhered to in the selection and use of reviewers to evaluate the applications. Therefore, employees of the Department who are involved in or have been involved within the past year in the administration of the program for which the group is evaluating applications could not participate.

Also taken into account were the individual's education, professional experience related to interpreter training and the field of deafness, involvement with deaf-related organizations and the community, publications and presentations, honors and other related activities, and past reviewer experience. The Department also makes a particular effort to secure quality reviewers that represent minority groups, handicapped groups, and persons who are new to the review process. The resume of each reviewer applicant was considered individually in selecting those deemed to be suitable in accordance with the preceding criteria.

DEAF INTERPRETER TRAINING

Mr. Pursell: Were the names of these individuals obtained from any primary source so that an organizational or philosophical bias might be present?

Mrs. Will: No, the names were selected from a variety of sources, including voluntary and professional organizations, educational institutions, consultants, parent organizations, and consumer groups. These sources represented a broad spectrum of interests and concerns related to interpreter training.

Mr. Pursell: From what geographical distribution did these individuals come?

Mrs. Will: The three Federal employees were from the greater Washington, D.C. area. Non-Federal peer reviewers were from the States of Maryland and New York.

Mr. Pursell: What attempts were made to involve reviewers who are knowledgeable of the unique needs found in various geographical regions specific to the area of interpreter training?

Mrs. Will: It was not possible to randomly select reviewers from each region of the country. The pool of 19 non-Federal reviewers who agreed to serve were recommended from organizations around the Nation. The individuals in this pool reflect a wide variety of disciplines and knowledge of current concerns in the field of interpreter training. The 6 reviewers used in this competition were selected from this pool. In addition, each regional office was requested to review and provide comments on the applications from their respective geographical areas. The field readers were asked to focus on whether the project proposal reflected the applicant's ability to effectively serve those States the applicant designated. The reviewers were instructed not to give preferential treatment to applications from any geographic area.

Mr. Pursell: How does the Department justify the division of States in the manner determined?

Mrs. Will: The deaf-interpreter training awards were made in such a way as to provide nationwide coverage by ensuring that every State and Territory of the United States would be served under this program. As provided for under section 75.217 of EDGAR, the rank ordering of applications was on the basis of the evaluations of the applications by panel reviewers. The Secretary then determined the order in which applications would be selected, taking into account, the applicant's rank order, and the States and

Territories that each panel-approved applicant could effectively serve. Duplication of States to be served was avoided. We believe the applications selected will result in the provision of quality interpreter training services nationwide.

Mr. Pursell: What considerations were given to increased travel expenses?

Mrs. Will: All necessary travel expenses of peer reviewers were met by the Department.

DEAF INTERPRETER TRAINING

Mr. Pursell: What considerations were given to the need for service providers to know individuals, resources, needs, etc., within the area being serviced?

Mrs. Will: These factors are part of the selection criteria and specifically describe the elements against which each proposed project are measured. The selection criteria are contained in section 396.30 of the regulations, 34 CFR Part 396, dated February 13, 1985. To meet these criteria, the application must include information which shows that the proposed project can reasonably be expected to accomplish the purposes of the program. Every applicant must document how the needs of each State to be served will be addressed.

Mr. Pursell: What guarantee is there that all States will actually receive services and benefits when in numerous cases they were not included in the objectives of those proposals submitted which were funded?

Mrs. Will: The following steps were taken to assure that all States receive services and benefits. Negotiations were carried out with each high ranked applicant on the specific States to be served by that project. The applicant then developed a revised budget and operating plan explaining how each State would be specifically served under the project. The revised budgets and plans were reviewed by the Department and individually approved for each project.

Mr. Pursell: Is there any explanation as to why or how a majority of the programs funded are in the East and not one program on the West coast was funded?

Mrs. Will: A majority of the applicant institutions filing under this grant competition are located in the East. Section 75.217 of the regulations under EDGAR provides that the Secretary determines the order in which applications will be selected after a rank ordering of applications is made based on the evaluations of the applications by panel reviewers. In selecting the applications, the Secretary took into account, in rank order, the States and Territories that each panel-approved applicant could effectively serve. Duplication of States to be served was avoided. The applications selected will result in the provision of quality interpreter services nationwide. While a specific project was not funded on the West Coast, projects were funded which serve every State on the West Coast and elsewhere in the United States.

DEAF INTERPRETER TRAINING

Mr. Pursell: A concern is that several of the interpreter training programs previously funded were not renewed. What consideration, if any, was made of the track record of those programs?

Mrs. Will: The interpreter training program is an open competition. The past performance of an applicant should have been reflected in the proposed program operating plans and would have been considered in establishing that the applicant has the capacity and adequate experience to provide the training proposed. The Department gives priority to existing programs that have demonstrated their capacity for providing interpreter training services. However, a former grantee cannot rely solely on past performance and reputation to be successful in competing for a new grant. Each application is reviewed on its own merits, not on the past performance of the applicant. An applicant should provide information that can be evaluated in accordance with the selection criteria published in the Federal Register, and provide sufficient documentation to substantiate the efficacy of the project plan and objectives.

Mr. Pursell: What consideration was given to the status of significant and innovative projects which had been begun by these programs which will now be greatly jeopardized?

Mrs. Will: The intent of these projects is to foster an increase in the number of interpreters trained. Former grantees had a period of three years in which to meet the objectives upon which their projects were funded. New and innovative activities described in the application are taken into account to the extent that they may reasonably be expected to result in the training of interpreters who will display a high level of skill. However, in open competitions, former grantees must compete on an equal basis with other applicants who have existing programs. The merits of each application are fairly and objectively evaluated in accordance with the selection criteria published in the Federal Register.

Mr. Pursell: A major issue brought to my attention is that there is an obvious de-emphasis on American Sign Language in the awards. Data reflects that community referral agencies receive more requests for Sign Language interpreters than Signed English and oral interpreters combined, yet those programs which are known to be strong proponents of Deaf Culture and American Sign Language were not refunded -- Seattle Community College and Madonna College.

What attempts were made to determine freedom from such bias within the awards?

Mrs. Will: All of the awards were made to programs offering a wide range of training opportunities. Reviewers were required to evaluate applications strictly on the basis of the selection criteria, which encompassed a broad range of approaches to interpreter training. Every attempt was made to avoid introduction of bias of any type in the selection of reviewers, evaluation of applications, and ranking and final selection of projects to receive awards. The ten grantees that have received awards are capable of providing training in American Sign Language, Signed English, and oral interpreting as well as other types of interpreting in specialty areas.

Mr. Pursell: Does the Department have a commitment to or alliance with any particular population of deaf individuals?

Mrs. Will: No, the Department's education and rehabilitation programs for deaf individuals are designed to serve all deaf persons. The interpreter training program is designed and implemented in such a way as to meet the communication needs of all types of persons who are hearing impaired and can benefit from interpreter services.

DEPARTMENT OF EDUCATION

Rehabilitation Services and Handicapped Research

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REHABILITATION SERVICES AND HANDICAPPED RESEARCH

For carrying out, to the extent not otherwise provided, the Rehabilitation Act of 1973[,] and the Helen Keller National Center Act, [and the International Health Research Act of 1960,[1] $1,362,000,000] $1,225,400,000, of which [$1,188,708,000] $1,098,694,084 shall be for allotments under section 100(b)(1) of the Rehabilitation Act[, $1,292,000] and $1,305,916 shall be for activities under section 110(b)(3) of the Rehabilitation Act[, $2,200,000 shall be for special recreational programs under section 316 of the Rehabilitation Act, and $4,300,000 shall be for continued operation of the Helen Keller National Center for Deaf-Blind Youths and Adults].[2]

[For special demonstration programs for the severely disabled, under section 311 of the Rehabilitation Act, $20,200,000, of which $750,000 shall be available for a grant to South Carolina to pay the full cost of the construction of the Comprehensive Medical Rehabilitation Center to be located in Columbia, South Carolina.][3]

[From the remainder of amounts appropriated to carry out the Rehabilitation Act, $5,000,000, to remain available until expended, shall be available, in accordance with section 311 of the Rehabilitation Act, for a grant to the Oregon Hearing Institute, in Portland, Oregon, to pay the full cost of the research activities, and the construction and renovation associated with those activities.][4]

[The amounts to carry out title VI-B (pertaining to projects with industry and business opportunities for handicapped individuals) and title VII-B (pertaining to Centers for Independent Living) of the Rehabilitation Act shall be used to assist only those entities assisted thereunder during fiscal year 1885, except for any portion of such amounts made available or a determination due either to the failure of any such entity to apply for continued funding by the Commissioner that there is a substantial failure of any such entity to comply with provisions of its approved application.][5/] (Department of Education Appropriation Act, 1986; additional authorizing legislation to be proposed for $124,800,000.)

Explanation of Language Changes

1/ Language referring to the International Health Research Act of 1960 is deleted. New balances of excess foreign currencies are no longer available.

2/ Elimination of the specific earmarking for the Helen Keller National Center for Deaf-Blind Youths and Adults and Special Recreational programs is proposed to simplify the appropriation language. Such earmarking is not necessary since the amounts appropriated are made explicit in the committee reports.

3/ Elimination of specific earmarking for South Carolina is proposed. This earmark is not necessary because it applies only to amounts appropriated in 1986.

4/ Elimination of specific earmarking for the Oregon Hearing Institute is proposed. This earmark is not necessary because it applies only to amounts appropriated in 1986.

5/ Language referring to funding only those entities assisted in 1985 under the Centers for Independent Living program and the Projects with Industry program is deleted to allow funds to be awarded through open competition.

Rehabilitation Services and Handicapped Research

Language Analysis

Language Provision	Explanation
...$1,225,400,000, of which [$1,188,708,000] $1,098,694,084 shall be for allotments under section 100(b) (1) of the Rehabilitation Act[,$1,292,000] and $1,305,916 shall be for activities under section 110(b)(3) of the Rehabilitation Act...	This language provides for appropriate amounts for maintenance of effort payments (section 110(b)(3)) and regular State allotments (section 100(b)(1)).
[, $2,200,000 shall be for special recreational programs under section 316 of the Rehabilitation Act,...	This language establishes a specific funding level for Special Recreational programs.
...$4,300,000 shall be for continued operation of the Helen Keller National Center for Deaf-Blind Youths and Adults].	This language establishes a specific funding level for the Helen Keller National Center for Deaf-Blind Youths and Adults.
[For special demonstration programs for the severely disabled, under section 311 of the Rehabilitation Act, $20,200,000, of which $750,000 shall be available for a grant to South Carolina to pay the full cost of the construction of the Comprehensive Medical Rehabilitation Center to be located in Columbia, South Carolina.]	This language earmarks funds for South Carolina to be used for the construction of a Comprehensive Medical Rehabilitation Center.
...$5,000,000, to remain available until expended, shall be available, in accordance with section 311 of the Rehabilitation Act, for a grant to the Oregon Hearing Institute, in Portland, Oregon, to pay the full cost of the construction and renovation associated with those activities.]	This language earmarks funds to the Oregon Hearing Institute to be used for research activities, and construction and renovation of the Institute.

Rehabilitation Services and Handicapped Research

Language Analysis -- Continued

Language Provision	Explanation
[The amounts to carry out title VI-B (pertaining to projects with industry and business opportunities for handicapped individuals) and title VII-B (pertaining to Centers for Independent Living) of the Rehabilitation Act shall be used to assist only those entities assisted thereunder during fiscal year 1985,...]	This language restricts funding to those entities assisted in 1985 under the Projects with Industry program and the Centers for Independent Living program.

Rehabilitation Services and Handicapped Research

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual..................	$1,234,015,000	$1,362,000,000	$1,225,400,000
Sequester order.........	---	-52,239,000	---
Proposed rescission.....	---	-75,439,000	---
Subtotal, adjusted appropriation.........	1,234,015,000	1,234,322,000	1,225,400,000
Comparative transfer to:			
Salaries and Expenses for: NIHR field-reader activities in OSERS................	-107,000	-125,000	---
Subtotal, adjusted budget authority...............	1,233,908,000	1,234,197,000	1,225,400,000
Unobligated balance, start of year...........	258,000	---	---
Unobligated balance lapsing.................	---	-200,000[1]	---
Total obligations..	1,234,166,000[2][3]	1,233,997,000[2]	1,225,400,000[2]

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[1] This $200,000 reduction is required by section 515 of the Treasury-Postal Service Appropriations Act of 1986. Because this amount must be placed in reserve, it cannot be obligated and will lapse.

[2] Excludes reimbursements of $1,814,000 in 1985, $1,235,000 in 1986, and $1,125,000 in 1987. Reimbursements are from the Department of Health and Human Services for activities funded by the National Institute of Handicapped Research.

[3] The total obligations at the end of the fiscal year 1985 include $936,150 contingently obligated under court order.

Rehabilitation Services and Handicapped Research

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. Vocational rehabilitation State grants..................	$1,190,000,000	$1,145,148,000	$1,100,000,000	$1,100,000,000
2. Special purpose funds:				
a. Client assistance.........	6,700,000	6,412,000	6,300,000	6,300,000
b. Innovation and expansion..	9,000,000	8,613,000	8,613,000	9,000,000
c. Service and demonstration projects:				
(1) Special demonstration projects..............	20,200,000	19,332,000	13,829,000	14,635,000
(2) Recreational programs.	2,200,000	2,105,000	---	---
(3) Migratory workers.....	1,000,000	957,000	950,000	950,000
(4) American Indians......	1,400,000	1,340,000	715,000	715,000
(5) Projects with Industry	15,200,000	14,547,000	13,000,000	13,000,000
d. Independent living:				
(1) Comprehensive services	11,000,000	10,527,000	5,000,000	---
(2) Centers...............	23,000,000	22,011,000	22,000,000	22,000,000
(3) Older blind...........	5,000,000	4,785,000	---	---
e. Training..................	27,000,000	25,838,000	20,000,000	15,000,000
f. Evaluation................	2,000,000	1,923,000	800,000	600,000
g. National Institute of Handicapped Research......	44,000,000	42,108,000	38,875,000	39,000,000
h. Helen Keller National Center....................	4,300,000	4,115,000	4,115,000	4,200,000
Subtotal................	172,000,000	164,613,000	134,197,000	125,400,000
Total..................	1,362,000,000	1,309,761,000	1,234,197,000	1,225,400,000

Rehabilitation Services and Handicapped Research

Budget Authority by Activity -- Continued

NOTES

1. Reflects a proposed rescission of $45,148,000 for Vocational Rehabilitation State Grants.

2a. Reflects a proposed rescission of $112,000 for Client Assistance.

2c. Reflects a total proposed rescission of $9,787,000 for all activities under Service and Demonstration Projects.

2d. Reflects a total proposed rescission of $10,323,000 for all activities under Independent Living.

2e. Reflects a proposed rescission of $5,838,000 for Training.

2f. Reflects a proposed rescission of $1,123,000 for Evaluation.

2g. Reflects a proposed rescission of $3,108,000 for the National Institute of Handicapped Research. Also reflects a transfer of $125,000 to Salaries and Expenses for field-reader services.

Rehabilitation Services and Handicapped Research

Budget Authority By Object

	1985	1986	1987
Other services............	$5,476,000	$3,887,000	$4,434,000
Grants, subsidies, and contributions...........	1,228,432,000	1,230,310,000	1,220,966,000
Total budget authority by object...........	1,233,908,000	1,234,197,000 1/	1,225,400,000

1/ Reflects a reduction of $52,239,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177, and a proposed rescission of $75,439,000.

Rehabilitation Services and Handicapped Research

Summary of Changes

1986 Estimate..	$1,361,875,000
1986 Sequester order..	-52,239,000
1986 Proposed rescission....................................	-75,439,000
Total estimated budget authority..........................	1,234,197,000
1987 Request...	1,225,400,000
Net change...............................	-8,797,000

	1986 base 1/	Change from base
Increases:		
Program:		
1. Innovation and expansion--to increase support for supported employment programs....................	$8,613,000	+$387,000
2. Service and demonstration projects--to increase funding for special demonstration projects for the severely disabled......................	13,829,000 2/	+806,000
3. Helen Keller Center--to fund additional services...................	4,115,000	+85,000
4. National Institute of Handicapped Research--to fund additional research activities...................	38,875,000	+125,000
Subtotal.....................		+1,403,000
Decreases:		
Program:		
1. Independent living--to eliminate funding for comprehensive services....	5,000,000 3/	-5,000,000
2. Training--to reduce funding to cover continuation costs only.........	20,000,000 4/	-5,000,000
3. Evaluation--to reduce funding to level needed for new studies................	800,000 5/	-200,000
Subtotal......................		-10,200,000
Net Change.............		-8,797,000

Rehabilitation Services and Handicapped Research

Summary of Changes -- Continued

1/ Reflects a reduction of $52,239,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

2/ Reflects a proposed rescission of $5,503,000 for special demonstration projects for the severely disabled.

3/ Reflects a proposed rescission of $5,527,000 for comprehensive services for independent living.

4/ Reflects a proposed rescission of $5,838,000.

5/ Does not include a $200,000 reduction required by section 515 of the Treasury-Postal Service Appropriations Act of 1986. That amount must be placed in reserve and will lapse. Reflects a proposed rescission of $1,123,000.

Rehabilitation Services and Handicapped Research

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. Vocational rehabilitation State grants:			
a. Basic State grants	RA, title I, sec. 100(b)(1)	$1,203,200,000	$1,148,356,000
b. Maintenance of effort	RA, title I, sec. 110(b)(3)	Indefinite	Indefinite
2. Special purpose funds:			
a. Client assistance	RA, title I, section 112	6,700,000[1]	To be determined
b. Innovation and expansion	RA, title I, section 120	Indefinite[1]	To be determined
c. Service and demonstration projects:			
(1) Special demonstration projects	RA, title III, section 310	20,200,000[1][2]	To be determined
(2) Recreational programs	RA, title III, section 316	2,200,000[1]	To be determined
(3) Migratory worker projects	RA, title III, section 310	5,000,000[1]	To be determined
(4) Grants to Indian tribes	RA, title I, sec. 100(b)(3)	Indefinite[1][3]	To be determined
(5) Projects with industry	RA, title VI, section 623	15,200,000[1]	To be determined
d. Independent living:			
(1) Comprehensive services	RA, title VII, section 741	Indefinite[1]	To be determined
(2) Centers for independent living	RA, title VII, section 741	23,000,000[1]	To be determined
(3) Services for older blind individuals	RA, title VII, section 741	Indefinite[1]	To be determined
e. Training	RA, title III, section 304	31,000,000[1]	To be determined
f. Evaluation	RA, section 14	Indefinite	Indefinite
g. National Institute of Handicapped Research	RA, title II, section 201	44,000,000[1]	To be determined
h. Helen Keller National Center for Deaf-Blind Youths and Adults	Rehabilitation Amendments of 1984, title II	4,300,000[1]	To be determined

Rehabilitation Services and Handicapped Research

Authorizing Legislation — Continued

Activity	Legislative Citation	1986 Authorized	1987 Authorized
Unfunded authorizations:			
Construction grants	RA, title III section 301	Indefinite 1/	To be determined
Training services	RA, title III, section 302	Indefinite 1/	To be determined
Comprehensive rehabilitation centers	RA, title III section 305	Indefinite 1/	To be determined
Business opportunities	RA, title VI, section 623	Indefinite 1/	To be determined
Protection and advocacy	RA, title VII, section 741	Indefinite 1/	To be determined
Total definite authorization...........		1,354,800,000	1,148,355,771

1/ The authorizing legislation expires at the end of fiscal year 1986. The GEPA extension does not apply.

2/ Amount specified in Department of Education Appropriations Act, 1986.

3/ May not exceed one percent of the amount appropriated for section 100(b)(1).

Rehabilitation Services and Handicapped Research

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation 1/
1978	$851,700,000	$868,200,000	$868,900,000	$870,200,000
1979	2/	2/	2/	926,212,000
1980	946,619,000	924,619,000	951,135,000	931,094,000
1981	936,619,000	965,619,000	946,896,000	953,544,000
1982	1,010,519,000	953,544,000	991,640,000	951,974,000
1983	649,807,000	1,035,034,000	1,036,534,000	1,045,154,000
1984	1,036,534,000	— 3/	1,110,900,000	1,155,100,000
1985	1,091,660,000	1,215,400,000	1,253,265,000	1,233,300,000
1985 Supplemental	--	—	715,000	715,000
1986	1,216,400,000	1,233,900,000	1,362,000,000	1,362,000,000
1986 Sequester	-52,239,000			
1986 Proposed Rescission	-75,439,000			
1987	1,225,400,000			

1/ Reflects enacted supplementals and rescissions.

2/ In 1979 the original budget request was $1,696,815,000, composed of $911,815,000 for current year and $785,000,000 for advanced funding authorized under pending legislation. Since the authorizing legislation had not passed the House and Senate instead passed a continuing resolution level of $867,200,000--the 1978 appropriation minus $3,000,000 for construction. After passage of the authorizing legislation, a supplemental of $59,012,000 was requested, for which the House allowance was $69,012,000 and the Senate allowance was $57,012,000. The final supplemental appropriation was $59,012,000. Thus, total funding for 1979 was $867,200,000 + $59,012,000 = $926,212,000.

3/ The House deferred consideration of appropriations for rehabilitation services programs pending the enactment of authorizing legislation.

Rehabilitation Services and Handicapped Research

Significant Items in Congressional Appropriations Reports

Item	Action taken or to be taken
1986 House Report	
Training of Interpreters for the Deaf	
The committee recommended that the $900,000 for the Training of Interpreters for Deaf Individuals program be used to fund the same projects designated by the Department in 1984.	The Rehabilitation Services Administration published priorities and held a new competition under the Training of Interpreters for the Deaf program in 1985. The ten awards made under that competition will be continued in 1986.
Research Centers [1]	
The committee provided an increase for the National Institute of Handicapped Research with the intention that some of the funds be used to expand support for existing research centers.	The Department has requested a rescission of the increase provided for NIHR. We do not believe an additional increase can be justified given the large increase already provided, over the last several years, for this program.
Field-Initiated Research grants [1]	
The committee provided an increase for the National Institute of Handicapped Research with the intention that some of the funds be used for field-initiated research grants, so that the number of new grants would be at approximately the same level as when the program began in 1984.	The Department has requested a rescission of the increase. An increase is unnecessary to meet the goals of the field-initiated research program and would result in an imbalance between priority-directed and field-initiated research.
Head Injuries	
The committee expects the National Institute of Handicapped Research to initiate applied clinical research studies on ways to improve the ability of the medical care system to reduce or prevent the effects of brain injuries.	The National Institute of Handicapped Research supports four research and training centers in the area of head injury. Studies related to brain injuries may also be funded under both the Field-Initiated Research and Innovation Grant programs.

[1] Also included in Senate Report.

Rehabilitation Services and Handicapped Research

Significant Items in Congressional Appropriations Reports

Item	Action taken or to be taken
Senate Report	
Head Injuries	
The committee directed the National Institute of Handicapped Research to seek proposals for research and training programs targeted toward victims of head injuries.	The National Institute of Handicapped Research supports four research and training centers in the area of head injury. Studies related to head injuries may also be funded under both its Field-Initiated Research and Innovation Grant programs.
Indian Evaluation	
The committee directed the Secretary to review progress on existing grants under the Indian program, conduct an evaluation of these programs, and report the findings to the committee by February 1, 1986.	An evaluation of the Service Grants to Indian Tribes program is underway with results expected by May 24, 1986.
Prosthetic and Orthotic Education	
The committee directed the Commissioner to maintain funding for prosthetic and orthotic education at a level of not less than $1,500,000.	Following sequestration, prosthetic and orthotic education will be funded at $1,435,000.
Supported Work Program [2/]	
The committee included $9,000,000 for projects which develop or expand transition from school to employment programs within States, including the establishment of supported employment programs for severely disabled persons. The committee also directed the Secretary to ensure that projects funded under this program are distributed geographically throughout the United States in an equitable manner.	Following sequestration, $8,613,000 will be made available for transition and supported employment programs under the Innovation and Expansion Grant authority. Formula grants will be awarded to the States, with each State to receive at least $50,000.

2/ Also included in Conference Report.

Rehabilitation Services and Handicapped Research

Significant Items in Congressional Appropriations Reports

Item	Action taken or to be taken
1986 Senate Report - continued	
International Exchange Programs	
The committee directed the National Institute of Handicapped Research to maintain its present level of support for international exchange, including support now being provided to Rehabilitation International and Rehabilitation International U.S.A. The committee also directed the Institute to evaluate the effectiveness of international exchange programs which it funds, in whole or in part, and report on such evaluation at the 1987 budget hearings.	The Institute has not funded Rehabilitation International U.S.A. since 1984, which was the last year of a four year grant for this program. Support for Rehabilitation International will be reduced in 1986 below the level provided in 1985. The Department is working to encourage other agencies and organizations to participate in and provide support for Rehabilitation International. The Institute is planning to evaluate the effectiveness of international exchange programs, with the evaluation to be completed by June 30, 1987.
Psychiatric Rehabilitation	
The committee expected the National Institute of Handicapped Research to continue its work with the National Institute of Mental Health on psychiatric rehabilitation.	The Institute will continue to support four centers jointly funded with NIMH. These centers focus on research and training related to psychiatric rehabilitation.

Rehabilitation Services and Handicapped Research

Account Summary

	1985	1986	1987
1. Vocational rehabilitation State grants	$1,100,000,000	$1,100,000,000	$1,100,000,000
2. Special purpose funds:			
a. Client assistance	6,300,000	6,300,000	6,300,000
b. Innovation and expansion	---	8,613,000	9,000,000
c. Service and demonstration projects:			
(1) Special demonstration projects	14,635,000	13,829,000	14,635,000
(2) Recreational programs	2,100,000	---	---
(3) Migratory workers	950,000	950,000	950,000
(4) American Indians	1,430,000	715,000	715,000
(5) Projects with industry	14,400,000	13,000,000	13,000,000
d. Independent living:			
(1) Comprehensive services	5,000,000	5,000,000	---
(2) Centers	22,000,000	22,000,000	22,000,000
(3) Older blind	---	---	---
e. Training	22,000,000	20,000,000	15,000,000
f. Evaluation	2,000,000	800,000 1/	600,000
g. National Institute of Handicapped Research	38,893,000	38,875,000	39,000,000
h. Helen Keller National Center	4,200,000	4,115,000	4,200,000
Subtotal	133,908,000	134,197,000	125,400,000
Total budget authority	1,233,908,000	1,234,197,000 2/	1,225,400,000

1/ Does not reflect a reduction of $200,000 required by section 515 of the Treasury-Postal Service Appropriations Act, 1986. Because that amount must be placed in reserve, it cannot be obligated and will lapse.

2/ Reflects a reduction of $52,239,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; and a proposed rescission of $75,439,000.

Programs authorized under the Rehabilitation Act of 1973 support a variety of activities specifically targeted to bringing disabled persons into the mainstream of society by helping them to maximize their potential for employment and independent living. These programs attempt to reduce human dependency, increase self-reliance, and promote productivity of disabled persons. Priority is placed on serving the most severely disabled persons.

Rehabilitation Services and Handicapped Research

Account Summary -- Continued

The 1987 budget request of $1,225,400,000 is $8,797,000 less than the 1986 revised level. Funding for independent living would be reduced to eliminate funding for the comprehensive services program, and the training program would be reduced to the level needed for continuation awards. Both of these program areas are under study by the Department with program improvements to be recommended for 1988. All other programs, including the program of assistance to the States for vocational rehabilitation services, would be continued at (or slightly above) the revised 1986 level.

1. Vocational rehabilitation State grants
(Rehabilitation Act of 1973, title I, section 100(b)(1))

1987 Authorization: $1,148,355,771

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$1,190,000,000	$1,145,148,000	$1,100,000,000	$1,100,000,000	---

Purpose and Method of Operation

This program supports vocational rehabilitation services through assistance to the States. The State programs provide a wide range of services designed to help physically and mentally disabled persons prepare for and engage in gainful employment, to the extent of their capabilities. Persons with disabilities that constitute a substantial handicap to employment and who can benefit from rehabilitation services are eligible for assistance. Services are tailored to the specific needs of the disabled individual, but they may include vocational evaluation, counseling, mental and physical restoration, education, vocational training, work adjustment, job placement, and post-employment services. Priority is given to serving severely disabled persons.

This is a current funded formula grant program that provides financial assistance to cover the cost of direct services and program administration. An allotment formula that takes into account population and per capita income is used to distribute funds among the States. States are required to provide 20 percent matching. Funds become available for obligation on October 1 of the fiscal year for which they are appropriated and remain available for 12 months. They support activities conducted during the same fiscal year. Grant funds are administered by designated State vocational rehabilitation agencies.

Accomplishments

In its 65 year history, the vocational rehabilitation program has served over ten million persons and has rehabilitated approximately six million. The vocational rehabilitation system consists of 83 designated State units, both general vocational rehabilitation agencies and special agencies for the blind. Some States have two separate agencies; others do not.

As a result of the Rehabilitation Act of 1973, which mandated that priority for services be given to the severely disabled, this system has become increasingly responsive to the needs of severely disabled people. Over the past several years, the proportion of severely disabled among those

Rehabilitation Services and Handicapped Research

1. Vocational rehabilitation State grants

Accomplishments -- continued

rehabilitated by the State agencies has increased significantly. Approximately 32 percent of the persons rehabilitated in 1974 were severely disabled; in 1985, this percentage had risen to over 60 percent.

The mandated priority on the severely disabled, together with other environmental factors, has created changes over time in both the characteristics and the size of vocational rehabilitation caseloads. In 1985, there was an increase, over the prior year, in the number of persons rehabilitated. Rehabilitations increased by approximately 1 percent, with rehabilitations of severely disabled persons increasing by 3.4 percent. The percentage of case closures deemed to be successful rehabilitations also rose, from 63.2 percent in 1984 to 64.2 percent in 1985. Heavier emphasis by State agencies on placement services is believed to be one factor contributing to this improvement in the national rehabilitation rate. The Department has undertaken a major study of caseload trends and agency placement practices in an attempt to explain changes over time in both the size and characteristics of the population being served and the outcomes attained for disabled persons as a result of the services provided. A major study of the impact of the vocational rehabilitation program will be designed in late 1986 for conduct over the next several years. Sound evaluation results on the net effects of this program are not currently available.

1987 Budget Proposal

The 1987 budget request for Vocational Rehabilitation State Grants is $1,100,000,000, the 1985 and revised 1986 level. Given the need to reduce Federal spending, an increase cannot be justified; maintaining the program at the 1985 level demonstrates the Administration's priority on services to disabled Americans.

Federal support for rehabilitation State grants increased over 27 percent between 1982 and 1985. If States determine that additional funds are needed for their vocational rehabilitation programs, they may now be in the better position to provide those additional resources.

Given level funding from 1985, States can be expected to serve approximately the same number of disabled persons in 1986 and 1987 as they served in 1985—about 930,000. They can also be expected to rehabilitate approximately the same number--almost 228,000.

The Rehabilitation Services Administration will continue its pursuit of three major goals for the State grant program:

o Improving the transition from school to work for handicapped youth by increasing the capability of State vocational

1987 Budget Proposal — continued

rehabilitation agencies and others in the rehabilitation community to assist youth. Leadership conferences, special projects, and encouraging States to make greater use of cooperative agreements are strategies that will be employed.

- Improving management and effectiveness in the State vocational rehabilitation programs through technical assistance and the provision of management information to the States.
- Improving competitive employment outcomes achieved for disabled clients by encouraging States to improve their job development and job placement activities through working more directly with private business and industry.

Targeted initiatives will focus on increasing efforts in the areas of supported employment and services to persons with specific learning disabilities.

Impact Data

	1985	1986
Applicants accepted for vocational rehabilitation	353,095	353,000
Total active cases	931,779	930,200
Cases closed, rehabilitated	227,652	228,000
Severely disabled	137,210	137,500
Nonseverely disabled	90,442	90,500
Severely disabled, percent	60	60
Cases closed, not rehabilitated	126,927	127,000
Severely disabled	83,312	83,500
Nonseverely disabled	43,615	43,500
Cases on hand, end of year	577,200	575,200

	Number of States *		
	1983	1984	1985
Rehabilitation rate:			
30 - 39 percent	1	0	0
40 - 49 percent	5	3	1
50 - 59 percent	27	21	20
60 - 69 percent	13	22	24
70 - 79 percent	6	5	6
80 - 89 percent	0	1	1

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* Includes District of Columbia and Puerto Rico

2. Special purpose funds: a. Client assistance (Rehabilitation Act of 1973, title I, section 112)*

1987 Authorization: To be determined

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$6,700,000	$ 6,412,000	$6,300,000	$6,300,000	---

*This authorization expires in 1986. The Department is proposing a one-year extension.

Purpose and Method of Operation

This program supports, through grants to the States, ombudsman activities to assist clients and client applicants of the vocational rehabilitation State grant program. Services are provided to help clients or client applicants understand the rehabilitation services available under the Act and to advise them of benefits available under the Act and of their rights and responsibilities in connection with those benefits. Assistance may also be provided to help clients or client applicants in their relationships with those providing services under the Act, including assistance in pursuing legal and administrative remedies to ensure the protection of their rights.

This is a current funded formula grant program that provides financial assistance to the States to carry out client assistance programs. Funds are distributed among the States according to population, except that each State is guaranteed at least $50,000. Grants are administered by agencies designated by the Governors. Generally, these agencies must be independent of any agency that provides rehabilitation services under the Act. States must operate client assistance programs in order to receive vocational rehabilitation State funds.

Accomplishments

The Rehabilitation Amendments of 1984, which converted the client assistance program from a discretionary grant to a formula grant program, mandate that, in order to receive vocational rehabilitation State grant funds, a State must have had a client assistance program in effect by October 1, 1984. Each of the 57 States and territories have a client assistance program in operation, with 35 States operating their programs in agencies independent of any agency that provides rehabilitation services under the Act. The remaining 22 States have programs operated by agencies providing rehabilitation services under the Act. Because the first formula grants for client

Accomplishments -- Continued

assistance were not awarded until September 1984, little information is yet available about program performance or outcomes. However, a new data collection instrument has been developed, and program operations data for the first year of this program should be available by May 1, 1986. A congressionally mandated evaluation of the client assistance program is in progress. The evaluation will compare, among other things, the differences in service delivery patterns under the formula and discretionary programs. There has been a delay in the completion of this evaluation due to difficulties with data collection. Results of the evaluation will be available by June 30, 1986.

1987 Budget Proposal

The 1987 budget request for client assistance is proposed at the 1986 revised level of $6,300,000. That level is adequate to allow all States to continue to support client assistance programs. Services would be maintained at the 1986 revised level.

The funds requested for 1987 would provide the fourth year of support for these mandated programs. Findings from the evaluation to be completed by June 30, 1986, will be examined and, if appropriate, would be the basis for any Department proposals to modify the program in 1988.

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2. Special purpose funds: b. Innovation and expansion (Rehabilitation Act of 1973, section 100(b)(2))*

1987 Authorization: To be determined

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$9,000,000	$8,613,000	$9,000,000	+$387,000

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* This authorization expires in 1986. The Department is proposing a one-year extension.

Purpose and Method

This program assists States to expand vocational rehabilitation services, especially to persons with the most severe handicaps and persons who have unusual or difficult problems in connection with their rehabilitation. Grants are awarded to pay a portion of the cost of planning, preparing for, and initiating special programs under the approved State plan for vocational rehabilitation services. A particular project may be supported for no more than three years.

This is a current funded formula grant program. Funds are allotted to the States on the basis of population, except that each State is guaranteed a minimum allotment of at least $50,000. Payments may not exceed 90 percent of the cost of the project; the non-Federal share may be in cash or in kind. Funds are administered by the designated State vocational rehabilitation agency or, at its option, by a public or nonprofit organization or agency.

Accomplishments

Prior to 1986, funds had not been appropriated under this authority since 1980. Funding was resumed in 1986 specifically for the purpose of helping States to develop or expand programs within the State to assist disabled youth make the transition from school to employment and to provide supported employment for severely disabled persons. Given the time needed to put a new program into operation, the 1986 funds will not be awarded until the third or fourth quarter of fiscal year 1986. Consequently, no information is currently available regarding accomplishments.

1987 Budget Proposal

The 1987 budget request for Innovation and Expansion is $9,000,000, the 1986 level prior to sequestration. Supported employment is an important Department priority, and consequently we propose to continue this new funding in order for States to continue the projects they will be initiating in 1986. Three years of support will be needed if they are to develop these new service strategies.

Supported employment consists of ongoing post-employment support necessary to enable certain severely disabled individuals to perform in a work setting. These individuals are persons who have not traditionally been employed, who have often been incorrectly assumed to have no vocational potential, and who have most often been served in day activity programs, which do not include a vocational component.

The requested funds will be used for program development within the States not to provide the ongoing employment support to individuals. Other existing resources can be redirected for that purpose.

2. Special purpose funds: c. Service and demonstration projects (Rehabilitation Act of 1973, sections 100(b)(3); 310; 316; and 623)*

1987 Authorization: To be determined

Budget Authority:

	1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
Projects with industry.......	$15,200,000	$14,547,000	$13,000,000	$13,000,000	---
Special demonstration programs........	20,200,000	19,332,000	13,829,000	14,635,000	+$806,000
Migratory workers	1,000,000	957,000	950,000	950,000	---
American Indians.	1,400,000	1,340,000	715,000	715,000	---
Recreational programs........	2,200,000	2,105,000	---	---	---
Total........	40,000,000	38,281,000	28,494,000	29,300,000	+806,000

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*These authorizations expire in 1986. The Department is proposing a one-year extension for all of the authorities, except section 316.

Purpose and Method of Operation

This program supports a variety of projects of national or regional significance. Included are projects to encourage private sector involvement in the rehabilitation process and to provide disabled persons with training and placement opportunities within business and industry; special demonstration projects to expand or improve services to underserved disability groups and to develop innovative approaches to meeting the needs of severely handicapped persons; and projects to serve the unique needs of special handicapped populations, including migratory workers and Indians living on reservations.

- Projects with Industry provide handicapped persons with training and experience in realistic work settings to prepare them for employment in the competitive market. Post-employment support services are also provided.

- Special Demonstration Projects for the Severely Disabled develop innovative methods and comprehensive service programs to help severely handicapped persons achieve satisfactory vocational adjustments, including supported employment programs for severely disabled individuals.

Purpose and Method of Operation -- continued

- o Migratory Worker Projects provide vocational rehabilitation services to handicapped migrant or seasonal farmworkers. Projects also develop innovative methods for reaching and serving this population.

- o Service Grants to Indian Tribes provide vocational rehabilitation services to handicapped American Indians living on reservations. Projects help Indian tribes develop the capacity to provide services that meet the rehabilitation needs of disabled Indians.

Discretionary grants are awarded on a competitive basis to public and private organizations to pay all or part of the costs of demonstrations, direct services, and related activities. This is a current funded program in which funds become available for obligation on October 1 of the fiscal year for which they are appropriated and remain available for 12 months.

Accomplishments

- o Projects with Industry: This program is the primary Federal vehicle for promoting greater participation of business and industry in the rehabilitation process. In 1984, 98 continuation projects were funded in response to the requirement of the Rehabilitation Amendments of 1984 that existing projects be funded through September 30, 1986. In 1985, the same 98 projects were continued, with the increase in funds appropriated in 1985 being used to adjust project periods so that all of the grants will expire September 30, 1986. Because of variations in previous award dates and project periods, this required that a number of grantees be awarded 15-18 month grants from 1985 funds. The 1986 Appropriation Act also requires that funds for projects with industry be awarded only to entities that received those funds in 1985. The Department has requested deletion of that requirement so that funds can be awarded competitively in 1986.

  A congressionally mandated evaluation of the projects with industry program has been completed, and findings were reported on February 20, 1986. The evaluation results show that for the years 1983-1984, about 50 percent of the severely disabled persons receiving assistance were placed in competitive jobs. Nine percent were competitively employed when they entered the program. Support for the program is evidenced by the fact that nearly 5,000 business persons and rehabilitation professionals serve on project with industry advisory committees. The overall net effectiveness of the Projects with Industry program cannot be determined by this study, however, because it did not compare outcomes for disabled persons participating in the program with outcomes for a similar group of persons who did not particpate. In conjunction with the evaluation, seven program standards were developed to aid grantees in their internal evaluation of their projects.

Accomplishments — continued

- Special Demonstration Projects for the Severely Disabled: This program supports demonstration projects that serve persons with a wide array of severe disabilities. In 1986, this program would support a network of 13 spinal cord injury centers (administered by NIHR), 10 supported employment projects, and 41 additional projects (administered by RSA) in the areas of blindness, deafness, head injury, learning disabilities, mental illness, mental retardation, multiple sclerosis, and multiple disabilities. Projects are also funded to demonstrate effective methods of assisting severely disabled persons in the transition from school or institution to employment or community living. Forty-three continuation and 21 new projects will be funded in 1986. New projects will be funded under 1986 priorities established by the Department to address areas of particular need. These priorities include: learning disabilities; traumatic head injuries; alternatives to restricted, segregated employment; and neuromuscular disabilities. In 1985, a new competition was held for the spinal cord injury centers, and 13 centers were funded. These centers will be continued in 1986. In 1985, the RSA program supported 46 continuation projects and 10 new projects. All funds for new projects were used for supported employment, an Office of Special Education and Rehabilitative Services initiative implemented in 1985. Supported employment is paid work in a variety of settings, particularly regular work sites, especially designed for severely disabled persons for whom competitive employment at or above the minimum wage is unlikely and who, because of their disabilities, need intensive ongoing support in order to perform in a work setting. Supported employment projects assist States to develop the capacity to move severely handicapped persons from day activity programs to supported employment. In 1986, the Department expects to continue nine supported employment projects and fund one additional project. An evaluation of the Special Demonstration program is underway with results expected by November 30, 1986.

- Migratory Worker Projects: This program makes comprehensive vocational rehabilitation services available to handicapped migrant or seasonal farmworkers. Some State vocational rehabilitation agencies have absorbed and incorporated these projects into their ongoing operations. Two States continued to provide these specialized services after their migratory worker project funds were exhausted. A heavy emphasis is given in these projects to outreach, specialized bilingual counseling, and coordinating vocational rehabilitation services with services from other sources. In 1985, 11 projects were funded, which provides broad national coverage of the needs of this special handicapped population. Seven projects were continua-

Accomplishments -- continued

Migratory Worker Projects -- continued

tions and four projects were new awards. An estimated 3,000 handicapped migrants will receive services from these projects. Ten projects will be funded in 1986, of which six are continuations and four are new projects. One project is not expected to reapply in 1986. An evaluation of the migrant program is also underway with results expected by October 27, 1986. The evaluation will assess the effectiveness of local projects in meeting the rehabilitation needs of migrants.

- Service Grants to Indian Tribes: In 1985, 3 grants were made under this program, resulting in the addition of two new tribes, the Chippewa Cree Business Committee, and the Yakima Tribal council. (Previously, this program has only made one award to the Navajo tribe.) The Chippewa Cree Business Committee is developing a model for Indian vocational rehabiliation services to train disabled Indian adults for placement into employment as well as place trainees into on-the-job opportunities. The Yakima tribal council is establishing a central vocational rehabilitation center on the Yakima Indian Reservation to serve disabled American Indians. In 1985, the Navajo tribe continued to participate in the program, and provided vocational rehabilitation services to about 750 persons, rehabilitating about 75 persons. The Navajo tribe conducts a bilingual rehabilitation program aimed at returning the most severely disabled Navajos to work. Since the three awards made in 1985 are one year awards, the Department will hold a competition for new awards in 1986.

- Special Recreation Projects: This program supports projects to provide recreational activities for handicapped persons, primarily at the local community level. Under this program, grants are made for one year only, and most grantees are new each year. In 1985, 30 projects were funded to serve an estimated 16,000 persons.

1987 Budget Proposal

The 1987 budget request for Service and Demonstration Projects is $29,300,000. This is $806,000 more than the 1986 revised level of $28,494,000. The Projects with Industry, Migrant, and Indian programs are proposed at the 1986 revised level. An increase of $806,000 is proposed to restore the Special Demonstration programs to the 1985 level of $14,635,000. Savings would result from the elimination of the Recreation program.

1987 Budget Proposal — continued

Projects with Industry would be funded at the 1986 revised level of $13,000,000. This is the funding needed to continue the program at its current level. The Rehabilitation Amendments of 1984 mandated that all existing grantees be funded through September 30, 1986. These same grantees were funded in both 1983 and 1984 for $13 million. The increase in funding provided in 1985 was used to fund the grantees for project periods in excess of 12 months in order that the Department could support all of the grantees through September 30, 1986, using 1985 funds. In 1986, funds will be needed for 12 month awards only. The Department does not believe that an expansion of the Projects with Industry program is warranted, especially when Federal spending must be reduced. In addition, the recent evaluation of the program has shown that most of the persons served by the program are referred by State vocational rehabilitation program for placement assistance. This is a service that is also be provided by the State agencies.

Special Demonstration Projects for Severely Disabled would be funded at $14,635,000. This level is $806,000 more than the 1986 revised level and is the same as the 1985 level. This level would provide for continued funding of supported employment projects initiated in 1985, as well as new and continuing demonstration projects and spinal cord injury centers. Of the total, approximately $3,457,000 would be for new awards. There would be approximately 43 continuation projects (including 13 spinal cord injury projects) and about 30 new projects.

Migratory Worker Projects would be funded at the 1986 revised level of $950,000. This level is consistent with recent appropriation history of maintaining this activity at a constant level. It would allow for continued national coverage of the needs of this special disabled population. Two continuation projects and approximately 8 new projects would be funded.

Service Grants to Indian Tribes would be funded at the 1986 revised level of $715,000. This level will allow the Indian program to award three new grants in 1987.

Special Recreation Projects would not be funded in 1987. This is a low priority item more appropriate for private charities, local organizations, and corporations to finance.

Rehabilitation Services and Handicapped Research

2. Special purpose funds: c. Service and demonstration projects

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Impact Data

Number of projects:

Service and demonstration projects:	1985	1986 after Sequestering	Revised 1986	1987
Projects with industry............	98	98	98	98
Special demonstration projects...	69 1/	66 1/	64 1/	61 1/
Migrants..........................	11	11	11	10
Indian tribes.....................	3	4	3	3
Recreation........................	30	---	---	---
Total......................	211	179	176	172

1/ Includes a supported employment project funded through a reimbursement from HHS.

2. Special purpose funds: d. Independent living
(Rehabilitation Act of 1973, title VII, parts A, B, and C)*

Part A: Comprehensive services for independent living
Part B: Centers for independent living
Part C: Independent living services for older blind individuals

1987 Authorization: To be determined

Budget Authority:

	1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
Part A...	$11,000,000	$10,527,000	$5,000,000	---	-$5,000,000
Part B...	23,000,000	22,011,000	22,000,000	$22,000,000	---
Part C...	5,000,000	4,785,000	---	---	---
Total..	39,000,000	37,323,000	27,000,000	22,000,000	5,000,000

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*These authorizations expire in 1986. The Department is proposing a one-year extension of the part B authorization.

Purpose and Method of Operation

The Comprehensive Services for Independent Living program supports grants to the States (supplementary to grants for vocational rehabilitation services) to assist them in providing services designed to meet the currrent and future needs of persons whose disabilities are so severe that they do not have the potential for employment but may benefit from vocational rehabilitation services which will enable them to live and function independently. Services may include any vocational rehabilitation service and many other services that will enhance the individual's ability to live independently. These services may include counseling, housing, job placement services, transportation, attendant care, physical rehabilitation, therapeutic treatment, prostheses and other devices, health maintenance, recreation, services for preschool age children, and preventive services. Priority of service is given to persons not served by other programs under the Rehabilitation Act.

This is a current funded formula grant program. Funds are allotted to the States according to population except that each State is to receive at least $200,000. When insufficient funds are available to meet this requirement, the minimum allotment is reduced on a pro rata basis. Funds support activity in the fiscal year for which they are appropriated. The funds are administered by the designated State vocational rehabilitation agencies according to approved State plans.

Purpose and Method of Operation -- continued

The Centers for Independent Living program supports a network of nonresidential, community-based centers which provide a wide range of services designed to help severely disabled persons live more independently in family and community settings. Services are also provided to help severely disabled persons secure and maintain appropriate employment. Although most persons who receive services have disabilities so severe that they do not presently have the potential for employment, they are persons who, with the assistance of independent living services, may become employable or who can benefit from rehabilitation services that will enable them to live more independently. Centers are established and operated in local communities, and most centers serve persons with various severe handicaps.

Disabled people participate in directing and managing the centers and are employed in center programs. Center services include counseling, assistance regarding legal and economic rights and benefits, training in personal care and independent living skills, attendant care and training of persons to provide such care, referral and assistance with housing and transportation, and other services to support independent living.

This is a current funded program in which discretionary grants are awarded on a competitive basis to designated State vocational rehabilitation agencies, or in cases where the designated State units do not apply, to other public agencies or private nonprofit organizations in those States. Funds become available for obligation on October 1 of the fiscal year for which they are appropriated and remain available for 12 months.

The program of Independent Living Services for Older Blind Individuals supports services to assist individuals aged fifty-five or older whose severe visual impairment makes gainful employment extremely difficult to obtain but for whom independent living goals are feasible. Services are designed to help these individuals become more able to care for their individual needs. Services may include services to help correct blindness, eyeglasses and other visual aids, services and equipment to help the person become more mobile, mobility training, Braille instruction, guide services, reader services, transportation, and other supportive services.

This is a current funded program in which discretionary grants are awarded to designated State vocational rehabilitation agencies. These units may award the funds to public or private nonprofit organizations. Funds are awarded in the year for which they are appropriated but may support activity into the following year.

Accomplishments

Since its initiation in 1979, the Centers for Independent Living program has grown to support a national network of centers, funding in whole or in part over 150 centers. Centers provide direct services to disabled persons or referrals to other agencies. They are also working to promote local

Accomplishments -- continued

community awareness and sensitivity to special needs of the disabled population, e.g., the need for curb cuts and accessible housing and transportation. Eighty-six continuation grants were made in 1985 for project periods through September 30, 1986. New projects were initiated only for expansions within existing centers. The 1986 Appropriation Act also requires that funds go only to the entities that received 1985 funds. The Department has requested deletion of the requirement so that funds can be awarded competitively in 1986.

Many of the local centers focus on serving a single disability or some other single group. Among the 86 existing projects, 19 centers emphasize services to blind and visually impaired persons, seven emphasize services for deaf and hearing impaired persons, nine are sponsored by organizations for the mentally retarded, and two are sponsored by agencies focusing on cerebral palsy. New projects in 1985 were limited to expanding the capacity of existing centers to serve disability groups they had not served in the past and to assist disabled persons in making the transition from school or institution to community living or employment. Older blind persons were among those cited in the priorities as groups for whom services should be expanded. A congressionally mandated evaluation of the Independent Living Center program was conducted during 1985 and 1986. The report will be submitted to the Congress within the next several weeks. The Department has not yet had time to thoroughly analyze the findings.

In 1985 for the first time, States each received approximately $95,500 for State programs of Comprehensive Services for Independent Living. State plans were submitted which indicate that States planned to use these funds in a variety of ways. Awards were made late in 1985, and little data are currently available regarding the operation of these programs. At the 1986 revised request level, States would receive the same funding that they received in 1985. At the postsequestration level, States would each receive the minimum allotment of $200,000 and would increase their programs accordingly.

In 1986, funding has been provided for Independent Living Services for Older Blind Individuals. The Department has proposed a rescission of these funds. At the postsequestration level, grants would be made to State units that apply, including agencies specifically serving the blind.

2. Special purpose funds: d. Independent living

1987 Budget Proposal

The 1987 budget request for Independent Living is $22,000,000 for support of Centers for Independent Living. Comprehensive Services for Independent Living and Independent Living Services for Older Blind Individuals are not proposed for funding. The independent living programs are overlapping and duplicative in many ways. Federal support for more than one program cannot be justified. The Department proposes that the Center program be continued at the 1985 level. We do not favor continuation of the State grant program for comprehensive services, because it duplicates services provided by the Centers, the vocational rehabilitation program, and various medical and other social service programs. The Department also opposes funding for services specifically for older blind persons. Older blind persons can be and are served by the existing Centers as well as by programs serving aging persons. A number of Centers focus solely on services to blind persons.

Impact Data

	1985	1986 Available after Sequestering 1/	1986 Revised Estimate	1987
State grant amount..........	$95,553	$200,000	$95,553	---
Number of Center grants.....	86	86	86	86
Number of grants for Services to Older Blind (estimate).	---	26	---	---

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1/ Amount for all States except California, which would receive $261,210.

2. Special purpose funds: e. Training
(Rehabilitation Act of 1973, title III, section 304)*

1987 Authorization: To be determined

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$27,000,000	$25,838,000	$20,000,000	$15,000,000	-$5,000,000

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* This authorization expires in 1986. The Department is proposing a one-year extension.

Purpose and Method of Operation

This program supports training, traineeships, and related activities designed to increase the numbers of qualified personnel trained in providing rehabilitation services to disabled persons. The purpose of the program is to ensure that skilled personnel are available to serve disabled persons in both public and private rehabilitation programs. Grants are awarded to support training in various rehabilitation disciplines and areas of professional practice and to support inservice training for personnel employed by State vocational rehabilitation agencies and other rehabilitation programs. Funds are to be targeted to areas of personnel shortage.

This is a current funded program. Discretionary grants are awarded to public or private agencies and organizations, including institutions of higher education, to pay all or part of the cost of conducting training programs. Grants provide both institutional and trainee support. Funds become available for obligation on October 1 of the fiscal year for which they are appropriated and remain available for 12 months.

Accomplishments

Training funds are used to support: training programs in a broad range of rehabilitation disciplines and areas of professional practice; experimental and innovative training projects to prepare new types of rehabilitation professionals or to develop innovative training methodologies; continuing education programs to upgrade the skills of employed rehabilitation workers in both the public and private sectors; inservice training for staff of State vocational rehabilitation agencies; and training of interpreters for deaf individuals.

Accomplishments -- continued

Training grants have been made in 18 different categories with emphasis on professional entry level training. Coverage of all these fields, rather than a focus on professional labor shortages, has governed the allocation of funds. Approximately 40 percent of the program budget is used to assist institutions of higher education establish training programs in specialized professional fields, with the balance being used for trainee stipends.

Grants for continuing education programs provide training on a multi-State basis for personnel employed in both public and private rehabilitation agencies and facilities. Programs vary considerably throughout the country in terms of content, methodology, and trainee-type.

Grants for State agency inservice training support training personnel and related administrative costs in each State vocational rehabilitation agency. Training is directed at meeting continuing State agency operational responsibilities and procedural requirements.

In 1985, 332 awards were made to cover all of the 18 long-term training categories, the regional continuing education programs, the State inservice programs, and interpreter training programs.

At the revised 1986 level, support will be provided for continuation awards in the 18 long-term training categories. Projects would be funded in all 18 rehabilitation-related fields. The same number of grants will be made for regional continuing education programs, State inservice programs, and interpreter training programs as were made in 1985.

1987 Budget Proposal

The 1987 budget request for Training is $15,000,000, the level necessary to cover continuation costs in the various training categories and to continue the current network of continuing education, State inservice, and interpreter training programs. The rehabilitation field has progressed dramatically since the training program was first authorized, and the Department is examining the nature of an appropriate Federal role for today in the training of rehabilitation personnel. Based on work we have done over the past two years in attempting to develop a system for estimating the supply of and demand for rehabilitation personnel, we are looking at whether Federal support for ongoing training programs actually plays a role in alleviating shortages, as well as examining the many problems related to accurately estimating shortages. We are studying ways to improve the training program, and we propose not to make new awards absent evidence that they would alleviate real shortages.

Rehabilitation Services and Handicapped Research

2. Special purpose funds: e. Training

Impact Data

	1985	1986 Available after Sequestering	1986 Revised Estimate	1987
Number of projects	332	410	325	245

2. Special purpose funds: f. Evaluation
   (Rehabilitation Act of 1973, section 14)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$2,000,000	$1,923,000 1/	$800,000 1/	$600,000	-$200,000

1/ Includes $200,000 reserve required under section 515 of the Treasury-Postal Service Appropriations Act, 1986. This amount will lapse.

Purpose and Method of Operation

Funds are used for studies to evaluate the impact and effectiveness of programs authorized by the Rehabilitation Act of 1973. Studies are designed to provide information for policy decisions and program administration.

This is a current funded program. Contracts are awarded on an annual basis for studies to be conducted by persons not involved in the administration of any of the programs authorized by the Act. Some evaluations require multi-year studies.

Accomplishments

Six major studies of programs authorized by the Rehabilitation Act were funded in 1984. Most of the work under these contracts will be completed in 1986. Among these studies are three congressionally mandated evaluations--of the client assistance, projects with industry, and independent living programs. Two studies of the vocational rehabilitation State grant program were also begun, one to improve the Department's methodology for assessing the costs and benefits of rehabilitation services and the other to examine State agency caseload trends and placement activities. The caseload study will continue into 1987. Except for the caseload study, the findings from these studies should be available and thoroughly analyzed by the Department by the end of the fiscal year.

Eight additional contracts were awarded in 1985 for additional studies of rehabilitation programs and services. These include evaluations of the migrant program, the Indian program, the special demonstration program, and NIHR's research and training center program. Two additional studies of the State grant program were initiated, one to evaluate State policies related to serving the most severely disabled and the other to evaluate the impact

Accomplishments — continued

of Department-sponsored management improvement efforts on the State programs. The final studies were an analysis of private sector rehabilitation programs and a longitudinal evaluation of rehabilitation services to handicapped youth. None of these studies have been completed yet, but findings from some are due late in fiscal year 1986. The Department anticipates that much of this work will yield information that will provide a firm basis for reauthorization proposals.

Additional studies to be funded at the revised 1986 level include a study of vocational rehabilitation services for the chronically mentally ill and design work for a major study of the net effectiveness of the basic vocational rehabilitation program.

1987 Budget Proposal

The 1987 budget request for Evaluation is $600,000. Almost every program authorized by the Rehabilitation Act is currently under evaluation; over 15 studies have been funded since 1984. Fewer studies will be needed in 1986. Only evaluations of the basic vocational rehabilitation program appear still to be needed, and not all of that work should begin in the same year. Time is needed to complete some of the work already begun, to analyze it carefullly, and to design the new studies. A major study of the net effectiveness of the vocational rehabilitation program will begin in 1987.

Impact Data

	1985	1986 Available after Sequestering	1986 Revised Estimate	1987
Number of studies........	8	4	2	1

2. Special purpose funds: g. National Institute of Handicapped Research (Rehabilitation Act of 1973, title II, section 201)*

1987 Authorization: To be determined

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$43,875,000	$41,983,000	$38,875,000	$39,000,000	+$125,000

*This authorization expires in 1986. The Department is proposing a one-year extension.

Purpose and Method of Operation

The National Institute of Handicapped Research (NIHR) was established to support research to improve the lives of people of all ages with physical and mental disabilities, especially severely disabled persons.

The Institute supports rehabilitation research, demonstration projects, and related activities including training of persons who provide rehabilitation services or who conduct rehabilitation research. In addition, the Institute supports projects to disseminate and promote the use of information concerning developments in rehabilitation procedures, methods, and devices. Information is provided to both rehabilitation professionals and disabled persons. The Institute is a current funded activity with projects ranging from one to five years in duration.

To accomplish its purpose, the Institute awards discretionary grants to: (1) identify causes and consequences of disability; (2) find ways to maximize the health, physical, and emotional status, functional ability, self-sufficiency, self-development and personal autonomy of disabled persons; (3) find ways to prevent or minimize personal and family problems that result from disability, including physical, mental, social, educational, vocational, and economic effects of disability; and (4) reduce and eliminate physical, social, educational, vocational, and environmental barriers to permit access to service and assistance.

The Institute's operating programs include:

Research and Training Centers--Each center has a major core area of research such as cardiac rehabilitation, musculoskeletal disorders, mental illness, mental retardation, vocational rehabilitation, deafness and hearing impairments, blindness and visual impairments, brain trauma, supported employment, and independent living. The centers are affiliated with universities, which provide access to major professional and research resources, and provide a long-term integrated research and training program around the core research areas.

Purpose and Method of Operation -- continued

Rehabilitation Engineering Centers -- These centers support a research and training program designed to expand the development of technological systems for disabled individuals; to stimulate the production and distribution of equipment in the private sector; to conduct clinical evaluation of equipment; and to train professionals in rehabilitation engineering concepts. Each of these centers has a core research area in which a major problem is addressed in a clinical environment where clinicians and technologists can work together to develop solutions to problems encountered by disabled individuals. Core areas of research include functional electrical stimulation, transportation, wheelchairs, mobility disorders, sensory aids, vocational rehabilitation, and quantification of performance.

Research and Demonstration Projects -- These projects are designed to be responsive to direct, short-term research problems which bear directly on the development of methods, procedures and devices to assist in the provision of rehabilitation services, particularly to severely disabled individuals. Such projects are supported in a wide array of public and private organizations and are directed to investigate areas of high priority where immediate acquisition of new knowledge is important. In 1986, a research training program will be initiated to produce highly qualified researchers in rehabilitation.

Utilization and Dissemination Projects -- These projects support information utilization and dissemination including state-of-the-art assessments and distribution centers to assure that knowledge generated from research is available and can be fully used to improve services to disabled persons.

Field-Initiated Research -- This program is limited to research and demonstration projects that address important activities that were not included in NIHR's announced priorities. Field-initiated research also includes a small innovation grant program initiated in 1985. These grants, not to exceed $50,000 per grant award, permit the testing of new concepts and ideas, the purchase of devices for evaluation, and the development of unique rehabilitation training curricula.

Research Fellowships -- These fellowships enable highly qualified individuals to carry out discrete research activities which are related to the Institute's research priorities, or pursue studies in areas of importance to the rehabilitation community.

Accomplishments

The Institute's achievements in 1985 covered a variety of areas including transition from school or institution to employment or community living, psychiatric rehabilitation, medical rehabilitation, and technology development and utilization.

Rehabilitation Services and Handicapped Research

2. Special purpose funds: g. National Institute of Handicapped Research

Accomplishments -- continued

In the area of transition and community integration, research and training centers completed many publications including "Competitive Employment for Persons with Mental Retardation" and "Entering and Leaving the Disability Support System." In addition to publications, a dissemination and utilization project resulted in 18 local or State agencies adopting exemplary practices in transition. The Job Accommodation Network was expanded and continued to be an important means for private sector employers to share experiences in accommodating job sites for disabled persons. Improvements in education were made through a model preschool including disabled and non-disabled children.

In the area of psychiatric rehabilitation, a research training center completed a model for psychiatrically disabled youth to attend college. Another research training center developed a therapeutic case advocacy model for severely disabled adolescents that integrated both schools and correction facilities. A nationwide survey on housing services for the chronically psychiatrically disabled and a support program for homeless mentally ill persons helped address the need to integrate mentally ill persons into their communities.

Through the rehabilitation engineering centers, devices to improve the mobility of disabled persons were developed. Such devices included a lightweight wheelchair, developed jointly with the National Aeronautics and Space Administration, and a Balans wheelchair featuring a new seating design. The technology for gel batteries and grooved caster wheels, both used in wheelchairs, was developed and transferred to private industry. Another device, which uses functional electrical stimulation to exercise paralyzed muscles wa developed and evaluated for commercial use. This device can be used to enhance mobility and correct gait deficits. In addition to these devices, a rehabilitation engineering center developed a mobility assessment laboratory. This laboratory will be used to make a quantitative assessment of human capabilities for movements such as reaching, extending, and standing.

Medical achievements by research and training centers included the development of a comprehensive guide on self care for multiple sclerosis patients and their families as well as a pediatric trauma data retrieval system. Under the new innovation grant program, a Statewide coalition of self help groups was established and linked to a Statewide family resource center. Also, a study was conducted on the contribution of the right hemisphere of the brain in the recovery from strokes, and was funded through a research and demonstration project. Three new research and training centers are planned in 1986 in the areas of deafness, blindness, and cardiovascular rehabilitation.

2. Special purpose funds: g. National Institute of Handicapped Research

1987 Budget Proposal

The 1987 budget request for the National Institute of Handicapped Research is $39,000,000, $125,000 more than the revised 1986 level of $38,875,000. Further increases cannot be justified given the need to limit spending. (This amount represents an increase of 37% over the 1982 appropriation.) Of the $39,000,000 requested, approximately 84 percent will be used for the continuation of 1986 activities, with 68 percent being used to continue center programs. All continuation activities would be funded, and new awards would be made under several of the Institute's programs. The Institute intends to achieve its goals and priorities by funding new research and demonstration projects, field-initiated research projects, utilization and dissemination projects, innovation grants, and fellowships rather than funding additional research and training centers and rehabilitation engineering centers. This strategy will enable the Institute to increase its research efforts in priority areas without making major long-term funding commitments, thus ensuring that funds in future years would be available to address new priorities.

The following activities will be supported in 1987:

- Research and training centers--Thirty-seven centers are scheduled for continuation. Funding for these centers will be maintained at the 1986 revised level.

- Rehabilitation engineering centers--The 16 currently funded centers will be continued. Funding for these centers will be maintained at the 1986 revised level.

- Research and demonstration projects--The projects to be continued focus on many areas including problems of the learning disabled, disabling conditions of preschool aged children, and the economics of disability. A larger program will support new projects addressing priorities concerning the transition from school to work for deaf youth, late effects of poliomyelitis, financing home care for seriously disabled children, improved functioning in families with learning disabled children, and housing adaptations to promote less restrictive environments.

  A research training grant program initiated in 1986, will be continued at the 1986 revised level. The purpose of this program is to produce highly qualified researchers in rehabilitation-related disciplines. In 1987, there will be new priorities for research training grants.

- Utilization and dissemination projects--Fewer projects will be funded but the funds made available will be approximately the same as at the 1986 revised level. Projects support both national and international activities. They include: the international exchange of exemplary rehabilitation programs and research results; international exchange of experts and information; resource information for the blind which is disseminated both nationally and internationally; a national rehabilitation information center; rural

Rehabilitation Services and Handicapped Research

2. Special purpose funds: g. National Institute of Handicapped Research

1987 Budget Proposal -- continued

rehabilitation programs; and the production and dissemination of the publication "Rehab Briefs." The program will continue to support a policy utilization center and a regional diffusion network, established under the 1986 priorities.

- Field-initiated research-- A smaller program would be undertaken at the proposed level than at the 1986 revised level because fewer continuation projects would exist in 1987. However, $1,500,000 would be available for new projects. Projects would be continued in areas including intervention with disabled children, community-based services for the mentally ill, and technology for disabled farmers. The innovation grant program would be expanded in 1987 to restore this program to approximately the 1985 level. These one-year grants, which cannot exceed $50,000, provide a needed vehicle for testing new concepts and ideas, evaluating prototype devices and aids, and developing training criteria.

- Fellowships--This activity will be continued at the 1986 revised level. Priorities are being developed for the 1987 fellows program.

Impact Data

	1985	1986 after Sequestering	1986 Revised	1987
Number of projects (Estimates)				
Research and training centers..........	37	37	37	37
Rehabilitation engineering centers.....	16	16	16	16
Research and demonstration projects....	28	34 1/	29 1/	34 1/
Utilization and dissemination projects.	17	26	19	13
Field initiated research projects......	80 2/	92 2/	62 2/	61 2/
Fellowships............................	12	6	6	6
Total..........................	190	211	169	167

1/ Includes research training grants.
2/ Includes innovation grants.

2. Special purpose funds: h. Helen Keller National Center (Rehabilitation Amendments of 1984, title II)*

1987 Authorization: To be determined

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$4,300,000	$4,115,000	$4,200,000	+$85,000

*This authorization expires in 1986. The Department is proposing a one-year extension.

Purpose and Method of Operation

This program supports the Helen Keller National Center for Deaf-Blind Youths and Adults, which provides comprehensive training and rehabilitation services for the most severely disabled and disadvantaged deaf-blind youths and adults, trains personnel to work with deaf-blind persons, and conducts relevant research and development activities. The Center consists of a national headquarters with a residential training and rehabilitation facility where deaf-blind persons receive intensive specialized services; a network of 10 regional field offices, which provide referral and counseling assistance to additional deaf-blind persons; and an affiliated agency network system of 26 public and private agencies that also serve deaf-blind persons.

This is a current funded program in which funds are awarded on a non-competitive basis to support the continued operation of the Center established by the Federal Government in 1969.

Accomplishments

The Helen Keller National Center service delivery system is dealing with the influx of persons who became deaf and blind during the maternal rubella epidemics of 1964-1965. They are now aging out of educational settings and becoming eligible for services from the Center. In 1985, the number of rubella victims served at the national facility increased by 16 percent. The Center also used an increased proportion of its resources to serve this multihandicapped group. In addition, two research and training centers have entered into agreements with the Helen Keller Center. These agreements will help the Center obtain valuable research that cannot be accomplished by the Center's staff. Modifications in its training and rehabilitation programs, as well as in its research and training programs for professionals, are also planned.

The Center increased the total number of clients served by its national headquarters, regional representatives, and affiliated network by 30

Accomplishments -- continued

percent in 1985. One new regional office was added in 1985, and one additional agency became involved in the network system, increasing the Center's outreach activities and capability to assist deaf-blind persons outside of the national facility.

1987 Budget Proposal

For fiscal year 1987, $4,200,000 is requested for the Helen Keller National Center, an increase of $85,000 over the amount available in 1986 after sequestering. The Department proposes to continue funding for the Center at the 1985 appropriation level. The funding level requested would allow the Center to maintain the level of services provided at the 1986 revised level. Approximately the same number of clients would be served by the national headquarters, regional representatives, and affiliated network. The Center would also maintain its services to rubella victims and continue other modifications in its programs.

Impact Data

	1985	1986 after Sequestering	1987
Clients served by:			
Headquarters..................	87	84	85
Regional representatives......	1,253	1,225	1,250
Affiliated network	1,151	1,150	1,150
Total.....................	2,491	2,459	2,485

Rehabilitation Services and Handicapped Research

Vocational Rehabilitation State Grants 1/

State or Outlying Area	1985	1986 2/	1986 Revised	1987
TOTAL	$1,098,707,247	$1,145,148,000	$1,100,000,000	$1,098,619,809
Alabama	25,778,010	26,365,135	25,383,638	25,364,393
Alaska	3,677,696	3,812,853	3,662,314	3,662,066
Arizona	13,278,397	13,852,675	13,221,660	13,378,479
Arkansas	15,114,664	15,475,543	14,881,503	14,854,345
California	84,662,202	88,735,102	84,975,992	85,493,905
Colorado	12,435,497	12,533,583	12,030,632	12,053,920
Connecticut	10,207,105	10,201,942	9,823,658	9,812,099
Delaware	3,699,567	3,812,853	3,662,314	3,662,066
Florida	45,467,665	46,412,236	44,364,831	44,746,443
Georgia	31,138,741	31,975,452	30,688,891	30,816,877
Hawaii	3,724,366	3,813,043	3,662,314	3,662,066
Idaho	5,106,396	5,316,870	5,083,132	5,071,976
Illinois	41,364,335	43,182,575	41,323,138	41,207,700
Indiana	27,605,849	28,730,049	27,583,215	27,495,979
Iowa	13,190,566	13,826,755	13,258,529	13,176,798
Kansas	10,295,695	10,640,971	10,232,425	10,215,704
Kentucky	22,708,195	23,350,730	22,468,074	22,405,088
Louisiana	25,439,986	26,038,376	25,091,956	25,048,660
Maine	7,098,868	7,219,305	6,951,751	6,944,806
Maryland	16,836,957	17,151,533	16,475,461	16,472,672
Massachusetts	25,860,040	25,784,154	24,884,717	24,842,618
Michigan	37,829,886	41,306,155	39,595,616	39,481,280
Minnesota	19,039,424	19,548,209	18,806,571	18,790,149
Mississippi	18,959,168	19,426,457	18,710,770	18,686,155
Missouri	25,182,008	26,672,142	25,665,746	25,619,184
Montana	4,199,553	4,426,303	4,243,641	4,232,787
Nebraska	7,368,164	7,597,534	7,293,187	7,269,610
Nevada	3,709,737	3,812,853	3,662,314	3,662,066
New Hampshire	4,772,133	4,785,431	4,606,923	4,621,597
New Jersey	26,860,764	26,960,046	25,940,579	25,908,836
New Mexico	7,597,606	8,428,291	8,098,227	8,117,454
New York	70,137,905	71,258,049	68,463,212	68,302,684
North Carolina	35,724,243	36,552,332	35,117,462	35,162,043
North Dakota	3,707,147	3,812,853	3,662,314	3,662,066
Ohio	51,701,393	54,118,940	52,040,716	51,868,289

Rehabilitation Services and Handicapped Research

Vocational Rehabilitation State Grants[1/]

State or Outlying Area	1985	1986[2/]	1986 Revised	1987
Oklahoma	16,565,056	16,834,201	16,204,127	16,159,588
Oregon	11,844,697	12,713,176	12,167,370	12,144,800
Pennsylvania	57,374,152	58,810,959	56,570,564	56,329,915
Rhode Island	4,715,609	4,779,751	4,599,802	4,594,210
South Carolina	20,400,528	20,794,243	19,976,502	19,999,770
South Dakota	4,067,560	4,151,322	3,990,871	3,981,341
Tennessee	26,652,949	28,678,558	27,560,737	27,553,475
Texas	69,175,105	70,826,423	67,970,166	68,254,357
Utah	8,632,720	9,009,004	8,600,246	8,555,745
Vermont	3,712,324	3,812,853	3,662,314	3,662,066
Virginia	25,705,243	25,920,642	24,920,713	24,935,493
Washington	16,534,945	17,263,818	16,530,449	16,548,735
West Virginia	12,539,622	12,526,005	12,347,372	12,347,372
Wisconsin	23,716,872	24,442,447	23,532,876	23,475,205
Wyoming	3,679,415	3,812,853	3,662,314	3,662,066
District of Columbia	8,108,536	8,012,028	8,012,028	8,012,028
American Samoa	298,666	310,164	298,532	300,176
Guam	939,587	1,091,931	1,052,247	1,059,349
Northern Mariana Islands	179,893	188,194	182,037	184,103
Puerto Rico	22,190,906	31,768,419	30,650,796	30,572,183
Trust Territory	684,865	1,039,750 [3/]	997,325 [3/]	994,048 [3/][4/]
Virgin Islands	800,822	928,769	893,189	900,607
Undistributed	—	494,160	—	—

[1/] Based on Per Capita Income for calendar years 1981-82-83, published by the Department of Commerce, Bureau of Economic Analysis in the "Survey of Current Business" Magazine, Vol. 64, No. 8, dated August 1984, and Population as of July 1, 1984, published by the Bureau of the Census in News Release CB-84-233, dated December 28, 1984.

[2/] Reflects a reduction of $44,852,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

[3/] At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986; in 1987, funds will be reallocated among other recipients.

[4/] Upon enactment of the Compact of Free Association for Palau, amounts appropriated for assistance to Palau shall not be available.

Rehabilitation Services and Handicapped Research

Innovation and Expansion Grants 1/

State or Outlying Areas	1985	1986 2/	1987
TOTAL	---	$8,618,000	$9,000,000
Alabama	---	133,835	140,216
Alaska	---	50,000	50,000
Arizona	---	102,406	111,133
Arkansas	---	78,792	82,260
California	---	859,429	919,369
Colorado	---	106,598	112,668
Connecticut	---	105,793	110,680
Delaware	---	50,000	50,000
Florida	---	368,164	396,342
Georgia	---	195,788	208,388
Hawaii	---	50,000	50,000
Idaho	---	50,000	50,000
Illinois	---	386,109	402,235
Indiana	---	184,417	191,755
Iowa	---	97,609	100,567
Kansas	---	81,777	85,434
Kentucky	---	124,879	129,929
Louisiana	---	149,667	156,256
Maine	---	50,000	50,000
Maryland	---	145,877	153,153
Massachusetts	---	194,480	203,018
Michigan	---	304,399	316,906
Minnesota	---	139,604	146,213
Mississippi	---	87,144	91,117
Missouri	---	167,981	175,365
Montana	---	50,000	50,000
Nebraska	---	53,869	56,003
Nevada	---	50,000	50,000
New Hampshire	---	50,000	50,000
New Jersey	---	252,073	263,693
New Mexico	---	50,000	50,563
New York	---	594,878	620,108
North Carolina	---	206,790	218,117
North Dakota	---	50,000	50,000
Ohio	---	360,650	374,652

Rehabilitation Services and Handicapped Research

Innovation and Expansion Grants[1]

State or Outlying Areas	1985	1986[2]	1987
Oklahoma	---	110,624	115,109
Oregon	---	89,693	93,698
Pennsylvania	---	399,191	413,324
Rhode Island	---	50,000	50,000
South Carolina	---	110,691	116,713
South Dakota	---	50,000	50,000
Tennessee	---	158,221	166,055
Texas	---	536,313	570,835
Utah	---	55,412	57,363
Vermont	---	50,000	50,000
Virginia	---	189,046	198,973
Washington	---	145,877	153,745
West Virginia	---	65,475	67,510
Wisconsin	---	159,864	166,508
Wyoming	---	50,000	50,000
District of Columbia	---	50,000	50,000
American Samoa	---	50,000	50,000
Guam	---	50,000	50,000
Northern Mariana Islands	---	50,000	50,000
Puerto Rico	---	109,584	114,028
Trust Territory	---	50,000 [3]	50,000 [3][4]
Virgin Islands	---	50,000	50,000

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[1] Distributed on the basis of population, except that a minimum allotment of $50,000 is guaranteed.

[2] Reflects a reduction of $387,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

[3] At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986; in 1987, funds will be reallocated among other recipients.

[4] Upon enactment of the Compact of Free Association for Palau, amounts appropriated for assistance to Palau shall not be available.

Rehabilitation Services and Handicapped Research

Independent Living State Grants 1/

State or Outlying Area	1985 2/	1986 3/	1986 2/ Revised	1987
TOTAL	$5,000,000	$10,527,000	$5,000,000	---
Alabama	103,380	200,000	95,553	---
Alaska	96,500	200,000	95,553	---
Arizona	95,553	200,000	95,553	---
Arkansas	100,155	200,000	95,553	---
California	---	261,210	95,553	---
Colorado	101,758	200,000	95,553	---
Connecticut	101,757	200,000	95,553	---
Delaware	96,751	200,000	95,553	---
Florida	116,668	200,000	95,553	---
Georgia	95,553	200,000	95,553	---
Hawaii	95,553	200,000	95,553	---
Idaho	95,553	200,000	95,553	---
Illinois	118,261	200,000	95,553	---
Indiana	95,553	200,000	95,553	---
Iowa	72,208	200,000	95,553	---
Kansas	100,347	200,000	95,553	---
Kentucky	202,896	200,000	95,553	---
Louisiana	95,553	200,000	95,553	---
Maine	95,553	200,000	95,553	---
Maryland	95,553	200,000	95,553	---
Massachusetts	106,954	200,000	95,553	---
Michigan	95,553	200,000	95,553	---
Minnesota	98,353	200,000	95,553	---
Mississippi	100,668	200,000	95,553	---
Missouri	95,553	200,000	95,553	---
Montana	95,553	200,000	95,553	---
Nebraska	98,710	200,000	95,553	---
Nevada	97,315	200,000	95,553	---
New Hampshire	95,553	200,000	95,553	---
New Jersey	110,317	200,000	95,553	---
New Mexico	90,000	200,000	95,553	---
New York	130,439	200,000	95,553	---
North Carolina	95,553	200,000	95,553	---
North Dakota	95,553	200,000	95,553	---
Ohio	114,133	200,000	95,553	---

Rehabilitation Services and Handicapped Research

Independent Living State Grants[1/]

State or Outlying Area	1985 [2/]	1986 [3/]	1986 [2/] Revised	1987
Oklahoma	102,073	200,000	95,553	---
Oregon	95,553	200,000	95,553	---
Pennsylvania	95,553	200,000	95,553	---
Rhode		,000	95,553	---
South Carolina	102,005	200,000	95,553	---
South Dakota	95,553	200,000	95,553	---
Tennessee	---	200,000	95,553	---
Texas	100,553	200,000	95,553	---
Utah	98,754	200,000	95,553	---
Vermont	96,591	261,210	95,553	---
Virginia	106,525	200,000	95,553	---
Washington	104,054	200,000	95,553	---
West Virginia	99,437	200,000	95,553	---
Wisconsin	104,945	200,000	95,553	---
Wyoming	95,553	200,000	95,553	---
District of Columbia	95,553	200,000	95,553	---
American Samoa	6,315	6,250	6,908	---
Guam	---	6,250	6,908	---
Northern Mariana Islands	---	6,250	6,908	---
Puerto Rico	101,980	95,553	104,447	---
Trust Territory	---	6,250 [4/]	6,908 [4/]	--- [4/][5/]
Virgin Islands	6,250	6,250	6,908	---

[1/] Distributed on the basis of population with a minimum allotment of $200,000 to each of the 50 States, D.C., and Puerto Rico and one-eighth of one percent of the total available to each Outlying Area.

[2/] Reflects a pro rata reduction in the minimum allotment.

[3/] Reflects a reduction of $473,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

[4/] At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986; in 1987, funds will be reallocated among other recipients.

[5/] Upon enactment of the Compact of Free Association for Palau, amounts appropriated for assistance to Palau shall not be available.

THURSDAY, APRIL 10, 1986.

STUDENT FINANCIAL ASSISTANCE

WITNESSES

C. RONALD KIMBERLING, ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

JOHN HAINES, DIRECTOR, POSTSECONDARY ANALYSIS DIVISION

Mr. NATCHER. At this time we take up the budget request for Fiscal Year 1987 for student financial assistance. We have before the committee Assistant Secretary for Postsecondary Education, Mr. C. Ronald Kimberling.

Mr. Kimberling, it's a pleasure to have you back in your new assignment. We want to wish you the best of everything with your new assignment.

Before you proceed with your statement, tell us who you have there at the table with you.

INTRODUCTION OF WITNESSES

Mr. KIMBERLING. Thank you very much, Mr. Chairman. It's a pleasure to be before your committee. To my left and your right is Sally Kirkgasler, the director of the Office of Policy Development in the Office of Postsecondary Education; and to my immediate right and your left we have Mr. William Dingeldein, the deputy director of the Budget Service, Office of Planning, Budget, and Evaluation. To Mr. Dingeldein's right we have Dr. John Haines, who is the director of the Postsecondary Analysis Division within OPBE.

Mr. NATCHER. We are delighted to have all of you before the committee at this time. Mr. Kimberling, we would be pleased to hear from you.

Mr. KIMBERLING. Thank you, Mr. Chairman. With your kind permission I would like to summarize my statement briefly and enter the full statement into the record.

Mr. NATCHER. All right.

[Statement of Mr. Kimberling follows:]

DEPARTMENT OF EDUCATION

Statement by the Assistant Secretary for Postsecondary Education on Student Financial Assistance

Mr. Chairman and Members of the Committee:

It is a pleasure to be here to present our budget request for the Student Financial Assistance account. Our budget request for fiscal year 1987 is $3,812,568,000--a significant commitment of Federal resources for student aid.

The Administration is proposing a major philosophical reorientation of the Federal student aid programs designed to restore the proper Federal role in the financing of postsecondary education. The dramatic growth of Federal appropriations for these student aid programs and the Guaranteed Student Loan program--from $3.7 billion in 1978 to $7.9 billion in 1986--has resulted in an excessive reliance on Federal student aid which abuses the spirit and intent of these programs as a supplement to, not a replacement for, other sources of college financing. Our restructuring restores the traditional emphasis on the responsibilities of parents and students for financing college costs, reduces opportunities for fraud and abuse, simplifies program administration, provides a new, unsubsidized Income-Contingent Loan program as a restructuring of the current National Direct Student Loan program, and reinforces the principle of cost-sharing with participating institutions. In addition, consistent with the Federal objective of helping provide equal opportunity for a postsecondary education, our 1987 budget request targets Federal resources on the neediest students while making progress in reducing the Federal deficit.

To help implement this philosophy, the Administration is proposing a major new program initiative--an unsubsidized Income-Contingent Loan program as a restructuring of the excessively subsidized, fixed-repayment NDSL program--and is again proposing the authorization of tax-exempt Education Savings Accounts. The Administration is also recommending other legislative changes designed to restore the proper Federal role in financing postsecondary education costs. These reforms include the following:

- A single, simplified family need analysis system would apply to all Department student aid programs (except for the non-subsidized PLUS loan program).

- Students below the age of 23 would be considered dependent on their parents in determining eligibility for Federal assistance. Exceptions would apply to orphans or wards of the court or students who can demonstrate self-sufficiency for the two years prior to the year of

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application. The current three-question criteria would also be applied (regardless of student age) to the award year and the two years prior to the award year. These tighter and more verifiable criteria would reduce widely recognized program abuse and help restore emphasis on appropriate parental responsibility in meeting postsecondary costs.

-- A minimum self-help expectation of $800 would be required in determining eligibility under the Department's student grant programs. This is consistent with the principle that students should contribute toward their own educational costs since they are the primary beneficiaries of education. In addition to income from unsubsidized private employment and savings, federally supported loans or work-study employment could be used to help meet this expectation.

-- Student living allowances for room, board, books, supplies, and transportation expenses would be standardized across all aid programs. A uniform allowance would limit on-campus living costs for the first time, and provide a more accurate assessment of actual costs for students living off-campus.

-- The sum of the Pell Grant and grant aid awarded under the Campus-Based Aid program would be limited to 60 percent of the cost of education, minus the expected family contribution. Any remaining need for assistance could be financed through other Federal, State, institutional, or private assistance, including non-Federal grants. A limit on the amount of Federal grant aid would reinforce the principle that every student should make some personal commitment to financing his or her postsecondary education.

-- A high school diploma or its equivalent would be required for receipt of any Title IV student assistance. Subjective determination of a non-high school graduate's "ability to benefit" would no longer be sufficient to establish eligibility. This would eliminate abuses documented by the General Accounting Office and would more clearly define postsecondary entrance requirements.

-- Undergraduate eligibility for all Federal student assistance would be limited to four academic years, plus a fifth year for five-year academic programs and in exceptional circumstances. This would restore a reasonable time frame for an undergraduate course of study which unfortunately was repealed from the grant programs in 1980.

In keeping with the Administration's emphasis on self-reliance, we are again proposing a tax incentive measure to encourage low- and middle-income families to save for their children's education. Families with incomes up to $60,000 would be able to invest up to $1,000 for each child per year in Education Savings Accounts with interest being exempt from Federal income taxes. This type of program would make education savings more attractive while also contributing to the Nation's economic growth.

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Income-Contingent Loan Program

The Administration's major new student aid proposal for fiscal year 1987 is to restructure the National Direct Student Loan program to incorporate an income-contingent repayment plan. For this new proposal, we are requesting an appropriation of $137.6 million. In addition, we are proposing that $52.4 million in collections on defaulted loans supplement the appropriation amount--bringing the total Federal capital contribution to $190 million, equal to the pre-Gramm-Rudman-Hollings appropriation level for fiscal year 1986. Moreover, given the Administration's strong support for this cost-efficient NDSL redesign, the President's Budget proposes to steadily increase new Federal capital contributions over the succeeding four years--reaching $340 million in each of fiscal years 1990 and 1991, with a five year total investment of $1.4 billion.

A restructured National Direct Student Loan program would serve as an important component of the Department's long-term design for continued Federal investment in student aid. More specifically, our proposed Income-Contingent Loan program is intended to accomplish the following objectives:

-- Make student loan repayment burden manageable, flexible, and of as long a duration as needed to accommodate individual post-school incomes.

-- Enhance institutional choice at the undergraduate and graduate levels by authorizing substantially higher loan levels than are permitted under current law. (Institutions would have discretion in setting individual loan amounts within statutory limits. Maximum cumulative undergraduate borrowing would be increased from the current level of $6,000 to $17,500, and total lifetime borrowing for both undergraduate and graduate study would be increased from the current level of $12,000 to $40,000.)

-- Maintain Federal support for a campus-based direct student loan program so as to continue institutional flexibility in designing individual student aid packages. However, institutions could not receive additional Federal support unless they participated in the program under the newly proposed income-contingent repayment plan.

-- Deliver aid at no long-term cost to the taxpayer by requiring borrowers to repay their loans at 3 percent above Treasury borrowing costs. This interest rate is projected, given defaulted loans and borrowers in repayment with insufficient incomes to pay off their loans, to generate a repayment stream with a present value equal to the amount of loans made.

Pell Grants

We are requesting $3.25 billion for the Pell Grant program. From this amount, $250 million would be used to cover prior year costs which amount to $490 million. We plan to seek an additional $240 million in fiscal year 1988 to retire this prior-year shortfall.

The remaining $3 billion for fiscal year 1987 would fully fund the Pell Grant if our proposed policies are adopted, and would provide 2,142,000 students with average grants of $1,400.

The Administration's goal of restoring the responsibility of the family and the student in financing postsecondary education costs, while eliminating program abuse and inequities that currently exist in the program, would be accomplished through enactment of the following legislative proposals:

- -- Assessment rates for the assets and discretionary income of parents and independent students would be increased from current Pell rates to roughly the levels now used in the Uniform Methodology. These assessment rates would be used in a single need analysis system that would apply to all Federal student aid programs.
- -- The family's expected contribution (EFC) would be taken into account in all award rules. This would eliminate the inequity that currently exists in the Pell Grant program whereby students with different financial resources attending the same low-cost institution receive equal awards. This provision would also preserve Federal grant assistance for the neediest students.
- -- The maximum award would continue to be $2,100, up to 60 percent of educational costs.

Work-Study/Grant Program

As we requested in a similar proposal last year, the Administration is recommending a work-study/grant program which consolidates the current Work-Study and Supplemental Grant programs. Appropriations would total $400 million for fiscal year 1987. This new initiative would provide approximately 825,000 students with grant aid and/or work opportunities averaging $600.

A consolidated work-study/grant program would implement the following three important goals of the 1987 budget:

- -- Improve the efficiency and integrity of student aid delivery by consolidating work and grant activities under one administrative program. This would provide institutions with greater flexibility in meeting individual student needs.
- -- Emphasize "cost-sharing" by institutional participants in providing student aid. Institutional cost-sharing would be substantially increased through elimination of the administrative allowance (currently an average of 4 percent of an institution's allocation) and through phased-in increases in institutional matching requirements reaching 50 percent by 1990.
- -- Promote student employment as an important self-help activity in financing educational costs. Provisions of the consolidated work-study/grant program would emphasize student employment as a means of financing educational

costs. Institutions receiving funds under the work-study/grant program would be required to use at least 50 percent of their allocation for work-study awards and the current $2,000 grant limit would be maintained. In addition, the highly successful Job Location and Development Centers, which help establish part-time employment opportunities for students off-campus, would be expanded.

-- Provide incentives for institutions to develop and expand work-study activities devoted to reducing adult illiteracy. Currently reallocated Work-Study funds have supported tutoring programs to reduce adult illiteracy. The 1987 budget request would promote the expansion of these activities by increasing the allowable Federal portion of earnings for students engaged in these activities. In 1987 the Federal portion of earnings would be 90 percent. As an added incentive, the Job Location Center would be authorized to administer programs devoted to adult literacy whether such jobs were located on- or off-campus.

State Student Incentive Grants

We are again requesting no Federal funding for the State Student Incentive Grant program for fiscal year 1987. The program goal of stimulating all States to provide need-based grants to postsecondary students has been accomplished. All States now have grant programs with most States considerably overmatching the Federal contribution. For example, of 40 jurisdictions which overmatched Federal funds, 30 provided at least 75 percent more need-based grant aid than is required to match the Federal contribution. Nationally, more than $1.5 billion in State grant assistance was available in fiscal year 1985, with the Federal share amounting to only 5 percent of this total. State expenditures have continued to expand even as Federal funding has declined or remained at the same level. This suggests a considerable State level commitment and indicates that Federal funds are no longer necessary to encourage States to provide student financial assistance.

Rescissions

The President also is proposing $456 million in 1986 rescissions to help achieve needed deficit reduction savings, particularly in 1987, when almost 75 percent of the outlay savings would occur. Achieving these savings now would help avoid the need for much larger budget authority reductions in 1987 and beyond.

The Department's revised request level for the Work-Study and Supplemental Educational Opportunity Grant programs for fiscal year 1986 represents rescissions of $64.5 million in Work-Study and $137.3 million in Supplemental Grants. These rescissions would provide for a reasonable transition to a consolidated program and avoid serious disruptions in institutional allocations between the 1985-86 and 1987-88 award periods.

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The Department is also requesting rescissions for Federal capital contributions under the National Direct Student Loan program and for State Student Incentive Grants at their post-sequestration levels of $181.8 million and $72.7 million respectively. The Department does not support new Federal capital under the current and unnecessarily costly National Direct Student Loan program. The State Student Incentive Grant program has accomplished its objective of stimulating all States to establish need-based grant programs and no further Federal investment is necessary.

In total, our 1987 budget request would generate about $14 billion in aid to students, approximately the same level as the actual 1985 level and the revised request for fiscal year 1986. Our proposals have been carefully designed to maintain the historical Federal commitment to providing access to postsecondary education for needy students, while simplifying the Federal student assistance programs, providing greater equity in awards, reducing program abuse, and restoring the traditional role of parent and student contributions.

I will be pleased to respond to any questions members of the Committee may have on our budget request.

DEPARTMENT OF EDUCATION

Office of Postsecondary Education

Biographical Sketch

NAME : C. Ronald Kimberling

POSITION : Assistant Secretary for Postsecondary Education

BIRTHPLACE AND DATE : Cleveland, Ohio
September 24, 1950

EDUCATION : California State University, Northridge, Calif. 1972, B.A.
University of Southern California, Los Angeles, Calif., 1974, A.M. in American Studies
California State University, Northridge, Calif. 1977, A.M. in Mass Communication: Journalism
University of Southern California, Los Angeles, Calif., 1977, A.M. in English
University of Southern California, Los Angeles, Calif., 1981, Ph.D. in English

EXPERIENCE :

PRESENT : Assistant Secretary for Postsecondary Education

1985 - 1986 : Acting Assistant Secretary for Postsecondary Education
1982 - 1985 : Deputy Assistant Secretary for Higher Education Programs, Office of Postsecondary Education, U. S. Department of Education
1982 - 1982 : Executive Secretary, Office of the Secretary, U. S. Department of Education
1981 - 1982 : Deputy Executive Secretary, Office of the Secretary, U. S. Department of Education
1978 - 1981 : Director of Enrollment Services, University of Southern California, Los Angeles
1975 - 1979 : Assistant Professor, Department of Journalism, California State University, Northridge
1973 - 1978 : Teaching Assistant, Department of English, University of Southern California, Los Angeles
1972 - 1974 : Editor/News Reporter, City News Service, Los Angeles, California
1972 - 1973 : News Director, KCSN-FM, Northridge, California

ACADEMIC AND PROFESSIONAL MEMBERSHIPS : American Association of Collegiate Registrars and Admissions Officers
Popular Culture Association
Kappa Tau Alpha-Journalism Honor Society
Phi Kappa Phi Honor Society

SUMMARY OF OPENING STATEMENT

Mr. KIMBERLING. It's a pleasure to be here to present our budget request for the Student Financial Assistance account. Our budget request for Fiscal Year 1987 is $3,812,568,000, which we think is a significant commitment of Federal resources for student aid.

The administration this year is proposing a major philosophical reorientation of the Federal student aid programs. We believe that the dramatic growth of appropriations for these student aid programs and also for the Guaranteed Student Loan program, rising from $3.7 billion in 1978 to $7.9 billion in 1986, after sequestration, has resulted in an excessive reliance on Federal aid which abuses the spirit and intent of these programs as a supplement to but not a replacement for other sources of college financing.

We believe that this restructuring restores the traditional emphasis on the responsibilities of parents and students for financing college costs, it reduces opportunities for fraud and abuse, simplifies program administration, provides a new and, we think, very exciting unsubsidized Income-Contingent Loan program as a restructuring of the current NDSL program, and reinforces the principle of cost-sharing with participating institutions.

We also believe that, consistent with the overall Federal objective of helping provide equal opportunity for postsecondary education, that our 1987 budget request targets Federal resources on the neediest students while helping to make overall progress in reducing the Federal deficit.

As I mentioned, we are planning a major new initiative with the Income-Contingent Loan program. We are also proposing authorization of a tax-exempt Education Savings Account program. Other proposals include: a tightened definition of independent students; as we've proposed in prior years, a minimum self-help expectation of $800; a student living allowance change that would be standardized across all the aid programs; a limit of 60 percent of cost of attendance for all grant aid; very significantly, the requirement of a high school diploma or its recognized equivalent as a minimum educational attainment requirement for postsecondary education; a limit on Pell aid and other aid to four academic years plus a fifth year for some programs or for remediation, if needed.

We are requesting, Mr. Chairman, for the Income-Contingent Loan program, an appropriation of $137.6 million; and in addition, we are proposing that approximately $52 million in default recoveries be made available to institutions under this program as new Federal capital instead of being returned to the Treasury.

We are also proposing significant out-year Federal capital contributions should this program be accepted.

In the Pell Grant account, we are requesting $3.25 billion for the Pell Grant program. Of this amount, $250 million would cover prior-year costs which are being carried over as a result in a $490 million shortfall. We plan to seek an additional $240 million in Fiscal Year 1988 which would retire completely the prior-year shortfall of $490 million. The remaining $3 billion for Fiscal Year 1987 would fully fund the Pell Grant if our proposed policies are adopted.

In the Work-Study and SEOG area, we are again recommending a consolidation of Work-Study and the Supplemental Grant programs, and an appropriation for this consolidated program of $400 million in Fiscal Year 1987, which would aid approximately 825,000 students.

We are again requesting no Federal funds for the State Student Incentive Grant program. We feel that the program's purpose has been fulfilled. All States have been stimulated to provide need-based grants to postsecondary students, and that State grant aid has been rising significantly in the past several years.

We are also proposing several rescissions under this account, $456 million total, primarily aimed at reducing outlays in Fiscal Year 1987 in order to help meet the deficit-reduction targets. Revised levels for Work-Study and SEOG for Fiscal Year 1986 represent rescissions of $64.5 million in Work-Study and $137.3 million in Supplemental Grants.

We are also requesting a rescission for Federal capital contributions under NDSL and for SSIG at their post-sequestration levels of $181.8 million and $72.7 million, respectively.

In total, our 1987 budget request would generate about $14 billion in aid to students, which is approximately the same as the actual 1985 level and the revised request level for Fiscal Year 1986.

That concludes my summary, Mr. Chairman. I will be pleased to respond to any questions that you or members of the committee have on our budget proposal.

HIGHER EDUCATION ACT FOR 1987

Mr. NATCHER. Thank you very much, Mr. Kimberling.

There seems to be a difference of opinion about the authorization of the current Higher Education Act for 1987. In your opinion, Mr. Kimberling, does section 414 of the General Education Provisions Act extend the current authorization through Fiscal Year 1987?

Mr. KIMBERLING. No. Our opinion—and we've had some of the Department's attorneys working on this, Mr. Chairman—is that virtually all of the programs and activities currently authorized by the Higher Education Act would expire at the end of the current Fiscal Year and that this Fiscal Year represents an extension, an automatic one-year extension as provided for under GEPA.

The one exception is that some of the activities that relate to ongoing payments for prior loans under the Guaranteed Student Loan program we feel do remain authorized for one additional year, but not all activities under the GSL program would be authorized through Fiscal Year 1987.

So our opinion is that reauthorization is needed, Mr. Chairman.

Mr. NATCHER. At this point in the record we will insert the letter dated March 19, 1986, setting forth the department's position on this matter.

[Information to be supplied follows:]

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION

MAR 19 1986

Honorable William H. Natcher
Chairman, Subcommittee on Labor,
Health and Human Services, and Education
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

During the February 19 technical briefing on our FY 1987 budget for the Department of Education, the question arose of whether Higher Education Act (HEA) programs were authorized for funding in the FY 1987 appropriations act. I would like to share with you the Department's position on this question.

Specifically, the concern was whether the two-year contingent extension of authorizations for certain education programs provided by section 414 of the General Education Provisions Act (GEPA) applies to any HEA program for FY 1987 appropriations. A February 10 analysis of this issue by an attorney at the Congressional Research Service (CRS) concluded that student assistance programs, which are authorized in HEA through FY 1985, are forward-funded and are therefore authorized for FY 1987, and that all current-funded HEA programs, which GEPA extends for one year, are not authorized for FY 1987 appropriations.

We recognize that this issue is one which Congress ultimately must decide, since the primary effect of section 414 of GEPA is on the operations of Congress. Nevertheless, our analysis of the issue has led us to disagree with the CRS conclusion. It is the Department's position that none of the Higher Education Act programs is authorized for FY 1987 appropriations, and, therefore, these programs require reauthorization during FY 1986. We take this position for two reasons.

First, since student assistance programs are not forward funded, we question the CRS conclusion that they are subject to the two-year extension. Funds for student assistance programs become available for obligation at the beginning of the fiscal year of the appropriation, while appropriations for forward-funded programs do not become available until late in the fiscal year. As with forward funding, student assistance funds remain available for obligation during the year following appropriation; however, this [illegible]ne does not make them forward funded.

Second, and in any event, we believe the purpose and effect of the GEPA two-year extension is to keep programs that are subject to it on the same appropriations and authorizing timetable as other programs in the same authorizing statute. We believe the enactment of the two-year extension provision was based on the

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202

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assumption that a second year of authorization was necessary to appropriate funds with two-year availability. For example, if such a program would otherwise have expired in FY 1985, the two-year extension provision permitted the inclusion of funds in the FY 1986 appropriations act, and would permit obligation of the funds during FY 1987. Accordingly, reauthorization would be necessary to include funds for such programs in the FY 1987 appropriations act for use through FY 1988. Thus, even if student assistance programs were considered to be forward-funded, and therefore subject to the two-year extension, we believe that reauthorization would be required for FY 1987 appropriations.

I would be happy to provide any additional explanation of our position.

Sincerely,

Bruce M. Carnes

Bruce M. Carnes
Deputy Under Secretary for
Planning, Budget and Evaluation

REACTIONS TO DEPARTMENT'S 1987 PROPOSALS

Mr. **Natcher.** Your budget justifications are based on the administration's proposed reauthorization of the Higher Education Act. That is correct, isn't it?

Mr. **Kimberling.** Yes. Our budget justifications are based upon this assumption.

Mr. **Natcher.** What reactions have you received from colleges and universities regarding your 1987 proposals for student aid? Anything nice, Mr. Kimberling?

Mr. **Kimberling.** Well, believe it or not, Mr. Chairman, I have had some nice comments on several features of our proposals.

Mr. **Natcher.** Go ahead and tell us about the nice ones first.

[Laughter.]

Mr. **Kimberling.** That's a very good question. One of the proposals that has been soundly applauded—it's been endorsed by the student financial aid administrators, by the National Association of Independent Colleges and Universities, and by a number of other individuals and organizations—is the proposal to extend need analysis to all borrowers under the Guaranteed Student Loan program. I have found widespread support for that.

There is also from the people I have talked to, very common agreement that we need to do something about the serious problems with the definition of the independent student. And I am very pleased to see that in the authorizing committees both in this body and in the Senate that this issue is being addressed, albeit in a slightly different way from what we propose. But there seems to be virtually unanimous agreement that something needs to be done.

We have also received considerable positive support for two of our program initiatives. The Income-Contingent Loan, the more people hear about it, the more they seem to like it. I have heard a couple of serious questions, but I think as we've explained this proposal, we're picking up more support from the college and university community.

And I have also, particularly from the private college sector, heard a great deal of positive support for our Education Savings Account proposal, which we've been recommending for a number of years.

Finally, Mr. Chairman, our default prevention and our default collection provisions, many of which I am pleased to see were enacted in the Reconciliation bill, have received very, very broad support not only from the college and university community but from the guarantee agencies and the lenders.

I think, Mr. Chairman, there is a lot of positive support for many features of our proposals.

DEPARTMENT'S PROPOSED REDUCTION IN FUNDING

Mr. **Natcher.** Mr. Kimberling, as you know, the reduction in higher-education assistance for student grants and loans amounts to a little over $2 billion, as far as 1987 budget requests are concerned, in comparison with our 1986 bill. That's correct, isn't it?

Mr. **Kimberling.** Yes, Mr. Chairman.

Mr. **Natcher.** It's a little over $2 billion.

Mr. KIMBERLING. The original appropriation.

Mr. NATCHER. You say this has received the support of a great many colleges and universities? We don't get that message up here, Mr. Kimberling.

Mr. KIMBERLING. Well, Mr. Chairman, if I might give you a couple of examples and peg dollars to proposals, I think it would put it into some perspective. Our projections are that the requirement that need analysis be extended to all GSL borrowers would result in Fiscal Year 1987 savings of $223 million. Likewise, a change in the definition of an independent student in the Pell Grant program would save an estimated $260 million. You add the $223 million and the $260 million together, you come close to half a billion dollars. And I would say that there is widespread support both in the higher-ed community and in the Congress for these proposals. When you do place them against dollar amounts, we've gone 25 percent of the way right there, nearly half a billion.

HIGHER EDUCATION REAUTHORIZATION

Mr. NATCHER. Let me ask you, Mr. Kimberling, does the administration support either the House or the Senate versions of the Higher Education Act reauthorization?

Mr. KIMBERLING. No, Mr. Chairman. At this juncture, we feel that both would be overly extensive in terms of their cost and their scope and the mix of programs authorized. There are some positive features to be found in both bills, and insofar as there are positive features, we're happy to see movement in that direction. I did indicate that both bills try to address the independent student question, and we are happy to see movement there. And there are other positive features.

Mr. NATCHER. For the record, insert your major objections to the House and the Senate bills, if you will, at this point, please.

[Information to be supplied follows:]

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MAJOR OBJECTIONS TO HOUSE AND SENATE REAUTHORIZATION BILLS

Both the House and Senate bills would increase substantially the Federal appropriations required to support Higher Education Act programs and inappropriately would expand the Federal role in higher education. The House bill would authorize over $11 billion and the Senate bill would authorize over $10 billion in fiscal year 1987. This represents an increase of more than $1 billion over current services in 1987 alone, and $4 billion over the Administration's proposals.

Much of this cost increase would be attributable to the Pell Grant and Guaranteed Student Loan (GSL) programs and would result from further expansion of the Federal role in financing educational costs. For example, by maintaining the low assessment rates for discretionary income in the Pell Grant need analysis system, the Senate bill fails to restore the traditional role of the student and the family in financing postsecondary education. Both the House and Senate bills would increase substantially the maximum awards for Pell Grants and Supplemental Grants and the loan limits for GSL loans. GSL lenders would continue to benefit from excessive profits, and would continue to bear no share whatsoever of default risk. Guarantee agencies would continue to be virtually 100 percent financed through Federal funds and would also bear an insufficient share of default risk.

We do not believe that this expansion in the Federal financial role is either necessary or in the best interests of higher education. Furthermore, such expansion in Federal spending clearly and substantially would work against efforts to control the Federal deficit and, thereby, could adversely affect the economic health of the Nation and the finances of educational institutions. Such Federal higher education spending increases would increase the deficit and consequently could trigger larger deficit reduction measures under the Balanced Budget and Emergency Deficit Control Act of 1985.

The House and Senate bills would unnecessarily increase program complexity, result in substantial operational difficulties, and eliminate needed Secretarial flexibility in program administration. For example, the Senate bill would not only maintain the two current complicated need analysis systems used for the Pell Grant and other aid programs, but also would introduce yet another need analysis system for families with adjusted gross incomes of $15,000 or less. Provisions in both bills would eliminate traditional and necessary Executive Branch flexibility in program administration and could cause serious delays in program delivery and improvements. Such provisions require congressional approval of need analysis regulations, mandate a "master calendar" of student aid delivery activities, and establish specific Pell Grant error correction procedures, as well as establish unnecessary advisory committees and mandate specific organizational structures.

Finally, both bills fail to address major areas of student aid program abuse, thus allowing inequitable and wasteful distribution of program funds. The need analysis formulas would continue to be overly complicated and would allow families to use Federal funds instead of their own resources. Students could

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continue to claim independent student status falsely since the criteria for this determination, as proposed by the Senate bill are not verifiable. While the House bill requires students under the age of 23 to demonstrate self-support, students who are 23 or older, married students, and several other categories of students would be automatically independent, regardless of the support they may receive from their parents. The maintenance of eligibility based on institutional determinations of "ability to benefit" would continue to allow inadequately prepared students to receive and, in many cases, waste Federal aid.

The Administration has and will continue to support higher education, by ensuring that all students have access to a college education and by providing direct support for postsecondary institutions in a well-focused, fiscally responsible way. Areas of unnecessary subsidization, program abuse, and inefficient program administration would be effectively addressed by the Administration's Higher Education Act reauthorization proposals, resulting in Federal higher education support that encourages national investment in education while meeting the need for deficit reduction.

PELL GRANT FUNDING SHORTFALL

Mr. NATCHER. As you know, there is a serious funding problem in the Pell Grant program. The program has had a shortage of funds annually since 1983. How much is required to take care of the aggregate shortfall in the program through Fiscal Year 1986? Does this run in the neighborhood of $1 billion, Mr. Kimberling?

Mr. KIMBERLING. It's a little under that, Mr. Chairman. The accumulated shortfall from prior years amounts to $490 million. In addition to that amount, we have a shortfall this particular Fiscal Year of $368 million. We have proposed with respect to the $490 million shortfall to take care of that with additional appropriations from Fiscal Years 1987 and 1988 so that we would rectify that historic shortfall within the next two Fiscal Years.

Mr. NATCHER. The amount included for Pell Grants in the 1986 appropriations act, as you know, is $3.588 billion. Subsequently, an amount of $154,284,000 was sequestered under the Deficit Control Act. That would leave $3,432,262,000 for Fiscal Year 1986. How much is required to fund the policy enacted in the 1986 bill?

Mr. KIMBERLING. Assuming that we can leapfrog the $490 million historical shortfall, as I outlined just a moment ago, Mr. Chairman, an additional $368 million would be required. $70 million of that represents the original estimate that there would be a shortfall based upon the Department's cost projections. Another $154 million represents the sequestered amount mandated by Gramm-Rudman-Hollings. The remaining $143 million represents an adjustment in the estimate based upon more recent estimates of total program costs.

Mr. NATCHER. Last November, as you remember, when the 1986 appropriation bill was in conference, the department's estimate for full funding of Pell Grants was $3.659 billion. When did you come up with a new estimate of $3.8 billion, Mr. Kimberling?

Mr. KIMBERLING. I am not aware of the precise date, Mr. Chairman. I do know that it was subsequent to the enactment of the appropriations bill.

Mr. NATCHER. Was it December? January?

Mr. KIMBERLING. The Budget Service advises me it was January, Mr. Chairman.

Mr. NATCHER. January.

Mr. KIMBERLING. We were aware at that time, and I think we attempted to communicate, that if you look at it sequentially, that we were dealing with an original estimate, as you indicated, of about $3.6 billion. The CBO estimate was somewhat less than our estimate at that time. And then the two subsequent events which have resulted in the current estimate included the updated estimate in January of this year. And in addition to that, as you indicated, Mr. Chairman, the required sequestration amounting to $154 million have led to this $368 million shortfall in Fiscal Year 1986.

I might mention that our current estimate of total program costs is very close to the current estimate provided by CBO at this time.

COST ESTIMATES FOR PELL GRANT PROGRAM

Mr. NATCHER. What steps are you taking to improve the capability of making cost estimates in the Pell Grant program? And, Mr.

Kimberling, it's not only now; this has been going on, you know, for a number of years. What are you doing to attempt to obtain better estimates?

Mr. **Kimberling**. Mr. Chairman, from our perspective, the most significant, if I can phrase it, wild-card factor that has thrown both our estimates and the CBO estimates off in the past couple of years is the significant increase in the number of independent students who are being found both eligible for the program and who are receiving awards under the program. We find that in the past few years, both the Department of Education and CBO have consistently underestimated the percent of independent students.

I might just indicate that the recipient population mix of independent and dependent students has changed dramatically since 1979–80. In that year, only 34 percent of Pell recipients were independent students. In the most recent award year, that number had jumped up to 49 percent.

We do not feel that that particular factor, which results in considerable cost in this program, has stabilized to the point where it would be entirely predictable. Should the definition of independent student change, as it's likely to change under a new authorization, and likely to be tightened, we feel that this will make our cost estimates a little bit more predictable in the future.

Mr. **Natcher**. Mr. Conte?

Mr. **Conte**. Thank you, Mr. Chairman.

Mr. Kimberling, I would like to welcome you before the Subcommittee in your first appearance as the Assistant Secretary for Postsecondary Education. We are all well aware, from your previous appearances here as deputy, of your competence and we have every confidence that you will carry forward in the same high standards as Dr. Elmendorf lived up to. Let me also say you have some very, very talented people at the table with you today.

Mr. **Kimberling**. Thank you, Mr. Conte.

1986 LINEAR REDUCTION FOR PELL GRANTS

Mr. **Conte**. We have already talked quite a bit about the crisis in Pell Grant funding that we are currently experiencing. And I guess one of the remaining questions is how quickly we need to act to prevent the linear reduction procedure that you have indicated you will use from going into effect?

Mr. **Kimberling**. Well, Mr. Conte, the linear reduction would go into effect with the payment period beginning July 1, 1986. I have signed off on the legislatively required payment schedule reflecting those reductions so that information is available to the financial aid community. Students with an eligibility index above 1200 are right now being notified that their awards would be reduced or eliminated under this linear reduction as called for in the statutory formula. But July 1 would be the actual effective date for payments made under this schedule.

Mr. **Conte**. Therefore we really have to act before July 1?

Mr. **Kimberling**. Yes. On July 1, Mr. Conte, the linear reduction would take place without other action.

Mr. **Conte**. For the record, will you give us a profile of what the linear reductions will look like for students in the low, middle, and high family income end of eligibility for the Pell Grants, and at both low- and high-cost institutions for the following levels of shortfalls: $368 million, the full expected shortfall; $225 million, assuming the $154 million Gramm-Rudman-Hollings cut; the $71 million shortfall we originally anticipated; and $144 million. Could we get that for the record?

Mr. KIMBERLING. I will be happy to do it. If I might, for just a moment, I can give you a rough sketch of the effect at the full reduction level of $368 million. In terms of award amounts, awards of $870 and less, under full funding would be completely eliminated, and we estimate that that would amount to approximately 290,000 awards. Awards between $870 and $1,400 would be significantly reduced, and we estimate that that would be about 500,000 awards.

That would leave awards between the $1,400 and $2,100 range fully protected. While it's difficult to take those figures against income levels because of different costs of attendance at different universities, this scenario would suggest that the lowest-income families, those about $13,000 to $14,000 and under would be fully protected at the medium- and high-cost institutions. But we will certainly be happy to furnish a more precise picture under these assumption levels.

[The information follows:]

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EFFECT OF LINEAR REDUCTION ON PELL GRANT AWARDS

The following table displays the impact of linear reduction on Pell Grant awards during the 1986-87 award period at the following funding levels: $3,432 million after taking into account the expected shortfall of $368 million; $3,577 million after taking into account a shortfall of $225 million; and $3,731 million after taking into account a shortfall of $71 million.

1986-87 Pell Grant Program
Family Income by Cost of Education

The following charts illustrate the effects of linear reduction for students from low, middle, and high income levels at low and high cost institutions for three funding levels. The expected family contribution (EFC) is calculated assuming a family of four with two parents working and one child in college.

The Pell Grant program funding level, for this illustration, is estimated at $3.432 billion.

Cost of Education	Family Income Level $10,000		$20,000		$30,000	
$2,000	Dep.	Indep.	Dep.	Indep.	Dep.	Indep.
EFC =	0	0	$697	$1,474	$1,722	$2,877
AWARD =	$1,230	$1,230	$1,099	$0	$0	$0

Cost of Education	Family Income Level $10,000		$20,000		$30,000	
$7,000	Dep.	Indep.	Dep.	Indep.	Dep.	Indep.
EFC =	0	0	$697	$1,474	$1,722	$2,877
AWARD =	$2,100	$2,100	$1,099	$0	$0	$0

The Pell Grant program funding level, for this illustration, is estimated at $3.577 billion.

Cost of Education	Family Income Level					
	$10,000		$20,000		$30,000	
$2,000	Dep.	Indep.	Dep.	Indep.	Dep.	Indep.
EFC =	0	0	$697	$1,474	$1,722	$2,877
AWARD =	$1,230	$1,230	$1,230	$150	$0	$0

Cost of Education	Family Income Level					
	$10,000		$20,000		$30,000	
$7,000	Dep.	Indep.	Dep.	Indep.	Dep.	Indep.
EFC =	0	0	$697	$1,474	$1,722	$2,877
AWARD =	$2,100	$2,100	$1,230	$150	$0	$0

The Pell Grant program funding level, for this illustration, is estimated at $3.731 billion.

Cost of Education	Family Income Level					
	$10,000		$20,000		$30,000	
$2,000	Dep.	Indep.	Dep.	Indep.	Dep.	Indep.
EFC =	0	0	$697	$1,474	$1,722	$2,877
AWARD =	$1,230	$1,230	$1,230	$400	$0	$0

Cost of Education	Family Income Level					
	$10,000		$20,000		$30,000	
$7,000	Dep.	Indep.	Dep.	Indep.	Dep.	Indep.
EFC =	0	0	$697	$1,474	$1,722	$2,877
AWARD =	$2,100	$2,100	$1,450	$400	$0	$0

1986 LINEAR REDUCTION FOR PELL GRANTS

Mr. Conte. Would you explain the linear reduction process? How does it work, and who is most likely to be hurt by the linear reductions?

Mr. Kimberling. Well, the linear reduction process essentially attempts to maximally protect individuals from the lowest-income families receiving the highest amounts of awards. And that is why awards above $1,400, for example, even under a $368 million shortfall, would be fully protected. It operates on a sliding scale down so that at higher income levels and at lower award amounts, the awards are more seriously affected. At lower income levels and higher award amounts the awards are greatly protected. And then there are all kinds of ranges in between. There is a provision that waives the minimum $200 award under the law and allows that to go as low as $100 if linear reduction takes place.

ALTERNATIVES TO LINEAR REDUCTION

Mr. Conte. Forget that you're Assistant Secretary for a moment.

Mr. Kimberling. It's hard to forget, Mr. Conte.

[Laughter.]

Mr. Conte. Just remove yourself from that position for a moment. Do you think it is fair for us to go from here to make up the shortfall, rather than to go through with this linear reduction that you're talking about?

Mr. Kimberling. It depends, Mr. Conte, I think, on what we're looking at in terms of the total deficit targets, because if we wind up borrowing from some other account in the Government and those funds are not put to use either programmatically or in order to help retire the national debt, then in essence we're changing the configuration and putting the burden of reducing the deficit or holding the deficit within the now legally required limits on some program. And that would be a tough choice, and even if I weren't assistant secretary, I think it would be an awful choice for me to have to make as a private citizen, I am certainly not an elected official, and I don't envision myself being in that position, but I do understand the burden those kinds of choices place upon elected officials.

Mr. Conte. It seems to me that there must be some more equitable way to make up for the shortfall than by the linear reduction process. You're a real bright guy, you ought to come up with an answer to that.

Mr. Kimberling. It's a real puzzle. We do feel that with respect to the historical deficit in this program, the $490 million, we have come up with a plan to deal with it. And we're fully prepared to do that. This particular shortfall, I think, is nobody's fault. Factors like the independent student definition have gotten beyond the ability of the Department and CBO to effectively predict. In addition, as you indicated, this program under Gramm-Rudman-Hollings, has had to take a 4.3 percent, or $154 million, reduction. And that is part of the shortfall. I guess the conclusion that I come to is that that sequestration was designed to apply fairly, and certainly the $154 million that resulted from sequestration in the Pell program is part of the generalized pain that a variety of individuals and programs have had to take under the need to control deficits.

Mr. **Conte**. Well, one of the reasons I opposed Gramm-Rudman-Hollings, not only when it came up for a vote but as one of the 12 who brought suit in court, is that I don't think you could ever cut across the board fairly. You knock out the good with the bad, and if the bad stays in it gets the same slice of the pie as the good. That's the problem with that whole darned piece of legislation.

Let me just ask you one specific question, about your student financial aid proposal. Your proposal would disqualify from eligibility all students without a high school degree. Is that right?

Mr. **Kimberling**. Yes, Mr. Conte.

HIGH SCHOOL DIPLOMA REQUIREMENT

Mr. **Conte**. I have in my district a college—and I bet you know about it—Simon's Rock of Bard College. It specializes in 16-to-17-year-olds who enter college from the tenth and eleventh grades because they feel they're up to the challenges of college work a year or two ahead of their peers. By all measures, it's a very, very successful program and fills a very unique niche.

Would it really be your intention to cut off that kind of an opportunity to students who are ready for college but would depend on student aid to be able to afford it?

Mr. **Kimberling**. No. I don't think that would be our intention, Mr. Conte. In fact, I have pondered this question as it affects the new law in Minnesota, which allows high school seniors to skip over their senior year and enroll in postsecondary institutions full-time if they're properly qualified.

I think when we look across the Nation—and there are a number of exemplary programs such as the Simon's program that are designed for very well-prepared students—that one can find a way under our proposal to deal with the situation. We do not only suggest that a high school diploma would be applicable, but its generally recognized equivalent. And I can't imagine that well-prepared, academically bright students couldn't—it might be an extra step—but that they couldn't take a GED test and pass it very easily even if they're only in tenth or eleventh grade.

Our proposal is not at all designed to deny postsecondary opportunities to the gifted and talented student. It's really designed to say that conceptually there needs to be some kind of firm line drawn in terms of the academic preparation that one has to bring to the table as a participant in postsecondary education, and probably the best thing defining that line of demarcation is the equivalent of a high school diploma.

MINORITY ENROLLMENT

Mr. **Conte**. One last question. To what extent has there been a decline in minorities applying to and attending postsecondary schools? And to what extent, in your view, is that due to the difficulty in obtaining the necessary financial assistance?

Mr. **Kimberling**. There is a mixed picture with respect to minorities in general. And the picture extends over probably a decade or so. With respect to black Americans, in general, the two figures were going up until about 1976: the absolute number of black Americans applying to and enrolling in postsecondary education and the percentage of black American high school graduates who were participating in postsecondary education.

What has happened is that starting in the late '70's there was a falling-off in the rate of black Americans. The number, because of the number of black Americans in the general population, has actually increased, and there was a record number of black Americans enrolled in postsecondary education in 1984. But the percent of high school graduates who are participating in postsecondary education has dropped and now kind of stabilized.

The figures are roughly the same, as I understand it, for Hispanic Americans. The participation figures for Asian Americans are at all-time highs. So it is a mixed bag.

There seem to be a number of factors. I do not personally or professionally believe that it's due to the amount of student aid available because even though we've spent a lot of time in Washington over the last few years talking about it, the bottom line is that the aid available has consistently gone up, particularly since the mid-'70's, and it does not seem to be necessarily related to that.

This is an important question, and one where there are so many variables sociologically that we probably need more precise information.

Mr. CONTE. I have many more questions, Mr. Chairman. I will submit them for the record.

Mr. NATCHER. All right.

Mr. Early?

Mr. EARLY. Thank you, Mr. Chairman.

CAMPUS-BASED PROGRAMS

Mr. Kimberling, I want to welcome you to the committee. You certainly have a responsible position with a lot of responsibility.

Once again, the department is proposing significant changes in student financial assistance programs, which you summarized in your statement. Will the amount of financial aid students receive under the campus-based programs increase or decrease under the department's proposal?

Mr. KIMBERLING. The amount would decrease, Mr. Early.

Mr. EARLY. How many students do you estimate would be assisted through campus-based programs under your budget request?

Mr. KIMBERLING. Mr. Early, we estimate under our proposal that 2,142,000 students would be assisted under Pell Grants. That compares to 2,668,000 under the post-Gramm-Rudman-Hollings sequestration level.

I might point out that the principal category of students who would be eliminated from receiving Pell Grant awards under our proposal would be those who would not meet a tightened definition of independent student. And in our opinion, these are students who are not at this juncture truly deserving of the aid. They're driving a Mack truck through a loophole, if you will.

Mr. EARLY. Well, I would appreciate your also giving me the comparison to what it would be, which was going to be my next question.

Mr. **Kimberling**. Certainly. The campus-based programs are the—did you say the Work-Study or all the campus-based?

Mr. **Early**. And campus-based.

Mr. **Kimberling**. All right. Under the Work-Study and SEOG programs, under the post-sequestration level, there are currently 1,441,000 awards. That would change to 825,000 awards under our consolidated program. And under the National Direct Student Loan program under the post-sequestration level, there are currently 885,000 loans that are being made. That would change to 484,000, the primary difference here being that we feel there would be a significant increase in the average loan amount because of the changeover in this program, fewer borrowers borrowing larger amounts of money in this program.

Mr. **Early**. What would be the maximum amount that someone could receive through the program?

Mr. **Kimberling**. Under our proposal in the Pell Grant Program it would be $2,100, or 60 percent, of cost of attendance, minus the expected family contribution.

Mr. **Early**. Under the campus-based programs?

Mr. **Kimberling**. Under the campus-based programs, the maximum grant award would not change from $2,000, and I believe someone has the Work-Study figure.

[Pause.]

Mr. **Kimberling**. OK. I am told that's hours worked, and so it's an average of, I believe, about $800 currently, but fluctuates high and low. There would be a significant increase in the loan limits under our Income-Contingent Loan proposal. We feel people would borrow more if the loan limits were increased.

FINANCIAL AID CAP

Mr. **Early**. Mr. Kimberling, if I recall, last year the department proposed a $4,000 cap, which was later revised to $8,000. Now, this year the department is proposing to limit the sum of the programs in the grant aid award under the campus based programs to 60 percent of the cost of education, less the expected family contribution. How does this proposal differ from the proposal last year, and how does it differ from current law?

Mr. **Kimberling**. Well, that's a very good question, Mr. Early. I think the major criticism that we heard last year is that an absolute cap would not allow aid to fluctuate according to different-cost schools. Under our proposal, by pegging the amount of grant aid to a cost-of-attendance figure, 60 percent, it would relate to both lower- and higher-cost schools. It does not, therefore, represent an absolute cap except that you've got a maximum $2,100 Pell and $2,000 supplemental grant.

Mr. **Early**. So we probably could say that it would be devastating to public schools, since so many public schools are the lower-tuition-cost programs, as far as what they would get vis-a-vis the private schools?

Mr. **Kimberling**. Well, I wouldn't say that it would be devastating. It would still drive significant grant aid to public schools. What it would do in some instances is that where under current law a student might be able to pay the full costs of a public-school lower-cost education through grant money——

Mr. **Early**. Mr. Kimberling, I am not trying to trap you there.

Mr. **Kimberling**. No, no, I understand that.

STUDENT AID FOR MIDDLE-INCOME FAMILIES

Mr. **Early**. I just think your job is so important. What was alarming to me the other day was a comment in the Secretary's statement that of the entire Federal budget, 90 percent would be for the poor, minorities, and disadvantaged. That only leaves 10 percent for the middle class.

I get a congressional salary that's $75,000. But I've got four kids in college. The middle income individual, the policeman making $30,000 or fireman or mechanic that sends a child or two to school, he's got to borrow it all. I mean, are you alarmed or concerned deeply about that?

Mr. **Kimberling**. Well, we basically—and it may be a philosophical difference—feel that it is not necessarily only the parent, but it's also the student. The student is the primary beneficiary.

Mr. **Early**. I don't know many students that pay their way. Have you got any kids old enough for college?

Mr. **Kimberling**. I don't have any children, but I have got a story to tell about how I got through college, and it was largely through work. But I did borrow under the old FISL program, I am in my last year of payment on my FISL loan.

Mr. **Early**. Speaking for my own, they haven't come up with too much as far as——

[Laughter.]

Mr. **Early**. I really am concerned, if they want to go to private schools, and they think they should be accessible for the middle-class worker. There is only ten percent of this entire budget left for everything else other than the poor, minorities, and underprivileged. And I just have great concern whether that's going to be adequate, to keep up the American dream that education is available to everybody.

Mr. **Kimberling**. There are two things we've done that I could mention that I think really would make a difference for middle-income families. Number one, the Education Savings Account. Now, some people say, well, that won't kick in for a few years. And I guess my response, Mr. Early, is if we don't get that enacted to allow parents to shield from taxes some of their income in order to save, that the middle-income family will never be better off. I would hope that receives considerable attention.

Secondly, under our PLUS loan program, we're proposing to change the borrower's rate to market rate. What does this mean practically? Currently, we have a fixed borrower's rate of 12 percent. We're proposing to change the borrower's rate under our PLUS program to T-bill plus three percent. The T-bills are currently running about seven percent. What it really means is that we're going to lower the borrower's rate, with the kind of interest rate situation we now have, to seven percent T-bill plus three, or about roughly ten percent. So the borrower's interest rate under the PLUS program, which is a significant program for middle-class families would actually drop about two points under our proposal.

Mr. **Early**. But isn't that real threatening? I mean, we saw what happened to the rates, and we hope we never go back to those rates where it was contingent on the T-bill rate, where the T-bill went like that. And let's say we've got a youngster—and I am thinking of a youngster going to college to become a nurse—that's going to pay $50,000 to go to a private school. And I used Curry College as an example the other day because I am familiar with that. Now, that nurse is going to graduate. She doesn't have that earning power. And if those T-bills ever take off, she's going to have a repayment feature that's going to be just uncontrollable.

Mr. **Kimberling**. Well, you're right, it could go up. It could go down. I think both congressional and executive branch projections for at least the next five years do call for pretty low interest rate situations.

Mr. **Early**. We always do. Elected officials always call for that. It doesn't always work out that way.

I want to stay within my ten minutes, though.

LEGISLATIVE CHANGES PROPOSED BY THE DEPARTMENT

Mr. Kimberling, can you tell me what percentage of the savings projected under the department's proposal require legislative changes in order to be achieved, and what percentage can be achieved through administrative action?

Mr. **Kimberling**. Oh, if you don't mind, Mr. Early, that may be complex enough that we may need to furnish it for the record. With respect to higher ed, since we're up against a reauthorization deadline, my rough answer would say virtually all of it would require legislative change.

Mr. **Early**. It would require legislative change.

Mr. **Kimberling**. Yes, sir.

Mr. **Early**. And you can define that for the record.

Mr. **Kimberling**. Yes, sir.

Mr. **Early**. And be a little more specific.

[Information to be supplied follows:]

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SAVINGS FROM LEGISLATIVE PROPOSALS

Except for our proposal to require the assignment of certain guarantee agency held defaults to the Department for collection through IRS offset of tax refunds, all of our 1987 saving projections for student aid would require legislative changes. Our major proposals requiring statutory revisions include the following:

- Requiring Uniform Need Analysis/Expecting Greater Family Contributions.

  In place of the current multiple and complicated need analysis methods used for different need-based Federal student aid programs, a single, simplified, and more verifiable need analysis system would be applied. Standardized cost-of-education rules would be applied to all programs. Assessment rates on income and assets would yield expected contribution levels for middle and upper income families substantially higher than under current methods. The eligibility of students from high income families would be effectively eliminated, while the eligibility of the neediest students would not be reduced.

- Capping Grant Aid at 60 Percent of Educational Costs minus Expected Family Contribution.

  A limit on grant aid related to educational cost would ensure a more equitable distribution of grant aid and reduce the abuse in current law which allows students to finance educational costs solely with grant aid and family contributions.

- Requiring a Minimum Amount of Student Self-Help.

  A minimum self-help expectation of $700-$900 currently is included in the "need analysis" procedures used by most colleges and universities to award campus-based aid.

  A minimum $800 self-help expectation would formalize the current practice and would have a negligible effect in most instances, since most students already are expected to and do meet this requirement. It would reduce aid, however, to students attending low-cost schools who have no non-Federal sources of aid and are unable to obtain Federal Work-Study aid or private employment.

- Reducing GSL Borrower Interest Subsidies.

  Borrower interest on regular Guaranteed Student Loans, currently 8 percent, would be fixed at the average 91-day Treasury bill rate for the quarter ending March 31st prior to the academic year. The interest accruing on regular GSLs during in-school and grace periods would be paid by the student either as it accrues or annually as a lump sum. Students would be allowed to borrow additional amounts to cover such interest payments. After the second year of repayment, the borrower's interest rate would be re-established at a lender/borrower negotiated rate, subject to a maximum of the average 91-day Treasury bill

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rate for the quarter ending March 31st prior to the beginning of this period plus 3 percent. Interest on PLUS loans, now set at 12 percent for the borrower, would be set by the lender subject to a cap of the 91-day T-bill rate plus 3 percent.

- Tightening Student Independence Criteria for all Department Student Aid Programs.

  Any student who is 22 years old or younger would be considered dependent on his/her parents unless he/she is an orphan or ward of the court or can demonstrate self-sufficiency for the two years prior to the year of application. The current criteria, involving living status, acceptance of parental assistance and dependency status on parental tax returns, would also be applied (regardless of student age) to the two years prior to the award year. These policies would be applied to all Departmental student aid programs. They would reduce widely recognized program abuse and help restore emphasis on parental responsibility in meeting postsecondary costs.

- Restructuring Direct Student Loans on an Unsubsidized, Income-Contingent Repayment Basis.

  In order to facilitate borrower repayment, reduce Federal subsidization, and improve the range of institutional choice available to needy students, the Department proposed a major restructuring of the Direct Student Loan program. Substantially increased loan limits would be available to needy graduate and undergraduate students. Interest would accrue at the prevailing 91-dry Treasury bill rate plus 3 percent; interest would be automatically added to the principal obligation (rather than paid as it accrues) during in-school, grace, and deferment periods. Borrower repayment would be on a progressive schedule related to cumulative Direct Loan debt and borrower income. In support of the new structure, the Department is proposing to provide $190 million in new Federal capital contributions in FY 1987, projected to rise to $340 million per year by 1990.

- Requiring a High School Diploma or its Equivalent of all Department Student Aid Recipients.

  Under current law, in order to receive Federal student aid a student must either have a high school diploma or its equivalent (GED certificate) or be beyond the age of compulsory school attendance and deemed by the institution to have "ability to benefit from the training offered" (usually demonstrated by admissions tests). An institution's subjective determination of "ability to benefit" would no longer be sufficient to establish eligibility for Federal student aid.

- Requiring Cost-Sharing of Lenders and Guarantee Agencies in the Guaranteed Student Loan Program.

  Under current law, GSL lenders receive a "special allowance" to make the return they receive on student loans competitive with market rates. Currently, this allowance assures the lender a total yield equal to the 91-day Treasury bill rate plus 3 1/2

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percent variable each quarter over the life of the loan. Under the Administration's proposal, the allowance would be a fixed 3 percent until the loans enter the third year of repayment. Thereafter, no special allowance would be paid. The current 100 percent insurance provided to lenders would be reduced to 90 percent, thus encouraging lenders to reduce defaults. Finally, lenders would be required to disburse loan funds more than once a year while receiving special allowance only on funds actually disbursed.

State-level guarantee agencies (which provide direct insurance and other services to lenders) currently receive numerous Federal subsidies. The Administration will no longer pay the yearly direct administrative allowances (equal to one percent of new loan volume) or loan advances (zero-interest loans of indefinite maturity), and is proposing to recall over $162 million in outstanding Federal advances. Also, Federal insurance of agency default payments to lenders, now generally 100 percent, would be reduced to 90 percent--declining to 80 percent or 70 percent depending on agency default and collection experience. These proposals would probably result in many agencies needing to seek some amount of State financial support.

- Expanding Unsubsidized Student Loan Eligibility and Addressing Student Loan Repayment Concerns.

  Eligibility for PLUS loans would be expanded to include all otherwise eligible students and their spouses, as well as the parents of dependent undergraduates. PLUS loan limits would be increased to $5,000 annually or $25,000 cumulatively. Finally, multiple ED student loans could be consolidated with repayments extended up to 25 years.

- Improving Program Administration.

  A variety of Administration proposals would improve default prevention and increase collections. Major initiatives include: making loan checks co-payable to the student and the school; mandatory assignment of certain guarantee agency held defaults to ED for collection through IRS offset of tax refunds; the sale of portions of ED's GSL default portfolio; instituting a 1 percent guarantee fee charge for PLUS borrowers; and, eliminating students attending foreign schools from eligibility for a loan.

SINGLE NEED ANALYSIS

Mr. **Early**. Now, under the department's proposal, a single-need analysis system would apply to all department student aid programs, including the regular guaranteed student loan. Are you proposing to use the same needs analysis that would be employed for Pell Grants, or is there a system that is being devised?

Mr. **Kimberling**. We have features that emerge from both the uniform methodology and from the current Pell Grant system.

Mr. **Early**. Well, how does it differ from the current analysis used?

Mr. **Kimberling**. Well, there are really three different systems currently used. The Pell Grant has a fairly simplified system for determining eligibility. There is a uniform methodology which the department promulgates for campus-based aid. And there are two systems in place for the Guaranteed Student Loans right now. For students only applying for guaranteed loans the institutions have the choice of either applying the uniform methodology or using a look-up table. If a student is applying for other aid in addition to a guaranteed loan, the uniform methodology must be used.

What we feel is wrong with this system structurally is that it provides for unfairness in the award amounts given to students from unequal circumstances attending the same type of institution. We feel that a single need analysis system would bring more equity to the award packages across the board and across program lines.

Mr. **Early**. Thank you, Mr. Kimberling.

Mr. **Natcher**. Mr. Pursell?

Mr. **Pursell**. Thank you, Mr. Chairman.

INDEPENDENT STUDENT DEFINITION

I want to welcome Dr. Kimberling before the committee. I take it, from your optimistic responses earlier, that colleges and universities are enthusiastic with our overall higher education programs and policies.

Tell me a little bit about your effort to tighten up the definition of independent students. Are you doing that with the authorization committee in the new proposal?

Mr. **Kimberling**. Yes, Mr. Pursell. Our proposal has gone to the authorizing committees. In short, the current system has three tests that are applied for the definition of independent students. And I think I said earlier it contains, in my opinion, a loophole you could drive a Mack truck through.

The first thing is that in order to qualify, you have to be able to certify that you did not reside with your parents or guardians either the year before or the year of an award. Secondly, you may not have received $750 or more from your parents or guardian the year before or the year of the award. Finally, you must not have been claimed as a dependent on your parent's or guardian's tax return for the year before or the year of an award.

We basically feel that the first two criteria are unverifiable. You just can't have some snoopy Government official seeing whether a student is with his family for six weeks and one day or not.

Secondly, although we do feel that most recipients of Federal student aid are well-intentioned and honest individuals, it would be impossible, I think, to verify whether a dishonest individual actually received more than $750 from parents or guardians because cash can be received under the table.

We have proposed that we start with an age criterion. Now, this is not an absolute criterion, but it's a good rule of thumb, and it follows, in large measure, a study of dependency and independency that was conducted by the College Board last year, although it is not precisely their recommendation. We would say that if you are age 23 or under, you would be presumed dependent on parental support. You would be automatically excluded if you were an orphan or a ward of the court.

In addition, we would apply the three criteria in the current law except we would look back two years rather than one year on the income tax form. That particular feature is used in California and results in very significant shifts between dependent and independent students.

One could still be certified as a dependent student even if you fell between the cracks, if you were under 23, married and on your own and so on. But more verifiable proof would have to be provided to the campus aid officer in order to meet that. So it's really a burden-of-proof shift along with a two-year look-back feature.

Mr. **Pursell**. How optimistic are you that the changes will be accepted?

Mr. **Kimberling**. I am very optimistic there will be a change. I am optimistic because there is a change in the definition contained in both H.R. 3700 and the full committee mark-up of S. 1965, the House and Senate versions of reauthorization. The question is exactly how that definition will be crafted and carved out, how tight it will be, and whether the authorizing committees have examined all the potential for loopholes. But it will result, under our estimation, if our definition is adopted, in a savings in the Pell Grant program of $260 million in Fiscal Year 1987 alone with continuing savings on through the out-years.

FUNDING SHORTFALL FOR PELL GRANTS

Mr. **Pursell**. I would like to have clarified some of the numbers that we were discussing earlier here in response to the Pell Grants. The current level of funding, as I understand it—and these are budget figures that we were looking at from your own budget documents—will result in about 290,000 students being cut out from the program nationwide. Is that an accurate number?

Mr. **Kimberling**. Yes, that is accurate, Mr. Pursell, if we apply the linear reduction formula to the current shortfall.

Mr. **Pursell**. But it's also been estimated another 500,000 students will receive reduced awards. Is that accurate?

Mr. **Kimberling**. Yes, sir, that's also correct.

Mr. **Pursell**. In 1987, according to our data provided by the University of Michigan, which I represent, funding levels will result in about a 17 percent reduction, about a $667,000 funding decrease at the Ann Arbor campus for the coming school year. So can we assume that is without any supplementals?

Mr. **Kimberling**. Yes, sir.

Mr. PURSELL. So it affects many students whose family incomes are really even below $20,000 a year. Is that correct?

Mr. KIMBERLING. There would be some effect. It would depend upon the cost of the institution, which is the major variable in the awards here, and other family circumstances, but there would likely be some effect upon families with incomes ranging between about $14,000 to $20,000 a year and up.

PELL GRANT PAYMENT ERRORS

Mr. PURSELL. Just yesterday—maybe some of the other members of the committee, although I haven't heard it yet today, have indicated that they had received telephone calls from institutions in their districts regarding the problem with Pell Grant payments to students during the '84–'85 year. I understand the problem relates to a computer error in the department system, which coded students incorrectly. Are you familiar with that?

Mr. KIMBERLING. No, I am not aware of that, Mr. Pursell. I would be very happy to look into that situation. But this is the first I have heard of it.

Mr. PURSELL. I just received some information late today, and I would like to discuss it with your department later. Apparently, some schools are getting told that they're going to have to make up the difference and they're not going to get reimbursed from the department. And we had one financial aid officer who was told that, yes, we are sorry we messed up, but unless you catch our error, you will pay for it. In other words, it put the burden on the school and the university for an error made here. I am not sure of all the details, in fact, but I would like to review that area.

Mr. KIMBERLING. Absolutely.

Mr. PURSELL. Maybe some other members——

Mr. KIMBERLING. I will make sure that I personally look into that.

Mr. PURSELL. There may be some other members of the committee that would like to do so also.

My last question, Mr. Chairman.

I also have a letter I would like to submit for the record from the president of the University of Michigan regarding financial aid.

Mr. NATCHER. Without objection, it is so ordered.

[The material referred to follows:]

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THE UNIVERSITY OF MICHIGAN
ANN ARBOR, MICHIGAN 48109-1340
(313) 764-6270

HAROLD T. SHAPIRO
President

April 8, 1986

The Honorable Carl D. Pursell
U.S. House of Representatives
1414 Longworth House Office Building
Washington, D.C. 20515

Dear Carl:

Our Financial Aid office has just completed an assessment of the combined impact of the Gramm-Rudman-Hollings FY86 reductions for the Pell Grant Program, including the appropriations shortfall for 1986-87.

I understand that a possible supplemental appropriation for the Pell Grant Program is under consideration and I thought that the following information regarding University of Michigan students might be helpful to you:

- In 1986-87, University of Michigan students will lose $677,000 (17 percent) below 1985-86 levels if a supplemental appropriation is not made. Presently, 2,559 students on the Ann Arbor Campus will receive an estimated $3,838,700 in Pell Grants this year.
- 1,433 (56 percent) of the 2,559 Pell recipients would receive a reduced award next year, 544 or 38 percent of these recipients would be dependent students with family incomes of less than $25,000.
- 607 (24 percent) of the 2,559 students would lose their entire Pell Grant awards.
- In Michigan a family of five with an income of $16,744 or less is eligible for Emergency Food Assistance.
- The average family size of University of Michigan dependent financial aid recipients is five, and 292 (11 percent) of our dependent Pell recipients with incomes below $15,000 would either lose or have their awards reduced by a total of $96,525.

ACADEMIC FACILITIES

Mr. **Pursell.** I am also concerned about the proposed funding level or lack thereof of the Title VII program. This is another education component coming up before us later. But maybe you can answer this now, a question concerning grants for construction and renovation of academic facilities. Title VII was funded at $28 million in Fiscal Year 1985, and I think it was decreased last year, in '86, to $10 million. However I think for '87, because of the administration's budget proposals, including rescissions and zero funding for the subsequent Fiscal Year, the department apparently has not moved to set the grant process in place. Can you tell us a little bit about the status of that program?

Mr. **Kimberling.** I would be very happy to, Mr. Pursell. The $28 million appropriation in Fiscal Year 1985 had been proposed for rescission last year. That request was not adopted, and therefore we do intend to make the $28 million available.

Mr. **Pursell.** It's been obligated?

Mr. **Kimberling.** No, they haven't. We are in the process of getting a notice of proposed rulemaking out on this program. The program had not received appropriations of funds for new grants since 1973. We had undergone two or three new authorizations since then, and therefore new regulations were required to be developed.

With respect to the $10 million appropriated in Fiscal Year 1986, those funds are now being proposed for rescission currently, but that rescission request does not preclude or interfere with the obligation of the $28 million previously appropriated and upheld by the Congress. It's my understanding that our notice of proposed rulemaking is going to be published imminently in the Federal Register and that those funds will be obligated and awarded by the end of this Fiscal Year. We have an application notice also in process.

Mr. **Pursell.** I was going to ask when you will announce your application process. Is there a date pending here that you could give the committee, a notice of availability to the institutions?

Mr. **Kimberling.** Well, roughly, Mr. Pursell, we would anticipate about June.

Mr. **Pursell.** This June?

Mr. **Kimberling.** Yes.

Mr. **Pursell.** Then when would you make the awards?

Mr. **Kimberling.** Very late in the summer, but before September 30.

Mr. **Pursell.** Of '86?

Mr. **Kimberling.** Right.

Mr. **Pursell.** Can you assure us that's exactly the process?

Mr. **Kimberling.** It depends on what the penalty is. If it's that I get shot next year, I'm not sure. But in all seriousness we are—

Mr. **Pursell.** We don't want that to happen. You haven't paid off your student loan yet.

[Laughter.]

Mr. **Kimberling.** That's right. We've increased the death reimbursement to the lender.

Very seriously, though, I am personally attentive to it. The regulations were complex. They were difficult. With $28 million available, we wanted to make sure that there was an ability to establish the kind of funding priorities and the kind of discrete measurements that would enable those funds to be put to the best use, since it's a nationwide competition. That required an awful lot of legal review and internal discussion and debate, I personally participated more hours than I care to chalk up in those debates. Fortunately, some of my views at least prevailed, and we've got the process moving along.

ADMINISTRATION SUPPORT FOR EDUCATION

Mr. **Pursell.** Last fall, when you presented the budget of the administration and OMB with respect to the programs within your preview, we looked at budget reductions because of the deficit, and we're all concerned about that. But it seems to be easier for the Department of Education to accept budget reductions and then allow other agencies of the Federal Government to get increases, like foreign aid and the defense budget and some of the other areas. So I know you can't speak for the administration's point of view and their particular philosophy in the defense area, but certainly I have never felt in the last few years there has been a hard-case scenario put forth where there is some advocacy for dollars invested in education for young people, in particular, financial aid, including elementary and secondary; it's always one of, well, I guess we're going to have to accept budget reductions, and we let OMB make decisions previous to, during the Stockman era, and even after.

I don't feel any strong balancing act here in response to what the defense budget and other driving forces appeal for additional money in the budget. When we talk about deficits, you say you're concerned about the deficit, but if you look at the defense side and some other areas of the budget, it's an increase.

So they're not concerned about the deficit, apparently. I am not suggesting that everybody go off and spend additional dollars with a $200 billion deficit, but there ought to be some equity here that allows you and others in the department to make a good case for an investment in higher education. I wonder if you would like to respond to that.

Mr. **Kimberling.** Well, I certainly would. I think it's likely, however, to be an argument you've heard before, that education is a partnership effort, in our view, between the Federal Government, the States, localities, and the private sector and that we simply don't have a process of State or local appropriations for money for defense, we only have a Federal appropriation. I think there are areas I can pinpoint where Secretary Bennett and where the Department and the administration have been very strong advocates for increased support for education. One that I can think of—and I have heard Secretary Bennett every time he has been asked this question—is advocating more money for teachers. He believes in well-qualified teachers, but he has been asked that question flat-out and his answer has been yes. Those funds, of course, do come from State and local appropriations.

With respect to the Federal role, and particularly with respect to the student aid programs, our general view is that there needs to be some containment and that the funds do need to be targeted to low-income students primarily.

Mr. PURSELL. Well, why couldn't you just support a freeze level? What would be wrong with that budgetary argument?

Mr. KIMBERLING. Well, I guess I am not the person, because that requires a view across all of the different accounts and programs in the Government.

Mr. PURSELL. Who is making the decision for you on that? Is it OMB?

Mr. KIMBERLING. On the freeze level, across all Federal agencies and programs, that would definitely be OMB and the White House because they have to balance and weigh all the Federal priorities.

Mr. PURSELL. Thank you, Mr. Chairman.

Mr. NATCHER. Mr. Hoyer?

UNIFORM LIVING ALLOWANCE

Mr. HOYER. Thank you, Mr. Chairman.

On page 3 of your statement you talk about uniform allowance. There is a limit to on-campus living costs. What you actually mean is it would limit the payment for on-campus living costs, I take it? I mean, it would be ecstatic if that could be accomplished, I suppose. We would limit the reimbursement for such costs.

Let me ask you how would it, as you say, provide a more accurate assessment of the actual costs for students off-campus?

Mr. KIMBERLING. Well, that's a good question, Mr. Hoyer. The current schedule of payments for cost of attendance under the Pell Grant program allows an unlimited allowance, of course within the maximum award amounts of the Pell program, in the preparation of student budgets for on-campus residence. It provides a fixed allowance for students who are living off-campus either independent from their parents or living with their parents. And our provision would actually increase those latter two amounts and provide a very generous amount for on-campus living.

The on-campus living allowance under our proposal would be a fixed $3,400 a year. When you look at the average cost of tuition, fees, room, and board for both public and private universities, for most universities, the $3,400 allowance would equal or exceed the actual cost of room and board.

The only exception would be a few institutions with exceptionally high charges, and we feel that this is an important cost-containment measure for the few but that it's a very generous allowance compared with the actual pricing of most institutions.

An example, the cost at an average four-year public university, including tuition costs, is only about $3,600 a year right now. So a $3,400 allowance we definitely feel would encompass that. Then we would increase the allowances in the—

Mr. HOYER. Would you give me that figure again? The $3,600 is for what?

Mr. KIMBERLING. For the average four-year public university, and that includes tuition.

Mr. HOYER. Room, board, and tuition?

Mr. KIMBERLING. Room, board, tuition, fees. For the student who would live at home with parents, our allowance would be $2,000 a year. And for a student who lives off-campus in an apartment or residential building with roommates or singly, that would be $3,100 a year under our proposal.

Mr. HOYER. $3,400 and $3,100?

Mr. KIMBERLING. $3,400, $3,100. The comparison is that currently we have an unlimited allowance for on-campus. We have an allowance for off-campus, but not with the parents, of $1,600 and $400 for books and supplies. In other words, our proposal would increase that by $1,100.

And for living at home currently, the formula allows an $1,100 living allowance, $400 for books and supplies, for a total of $1,500. So we've got a $500 increase at home. We have an $1,100 increase living off-campus. We have a fixed limit on-campus that we feel provides pretty generously for the actual costs of attendance, but does not really permit costs or charges to get way out of hand.

Mr. HOYER. When you say most colleges and universities, can you give me a ballpark percentage? Would that cover 90 percent of your colleges and universities? Are you talking about in-State student fees?

Mr. KIMBERLING. Generally, colleges and universities do not differentiate in their room-and-board charges between in-State and out-of-State.

Mr. HOYER. Just tuition. Right.

Mr. KIMBERLING. Just tuition. And there is a tug at me that says maybe you shouldn't commit to 90 percent, but my gut feeling is that it's probably—the $3,400 mark—is probably going to cover 90 percent.

Mr. HOYER. OK. Well, we're not in the process of shooting people who misspeak themselves.

[Laughter.]

INCOME-CONTINGENT LOAN PROPOSAL

Mr. HOYER. Briefly—you discussed this previously, this income-contingency provision could you discuss that?

Mr. KIMBERLING. Certainly. Basically, we would increase the loan limits to students. The borrower's interest rate would increase to T-bill plus three. But the interest that the borrower would pay would actually be capitalized into the loan during the in-school period so the student wouldn't be paying that interest while in-school, very much like the PLUS loan program.

The Federal capital that would be provided would be allocated out to the institutions on a fair-share basis. And we think one of the interesting features of this is that we are now requesting that Federal default collections, instead of going back to the Treasury as they do under current law, be included to be reprogrammed out to institutions as part of the new Federal capital contribution for this program.

In addition to that Federal capital contribution, we have in the neighborhood of $800 million in loan capital that sits right now in the revolving funds of institutions, and all of that money would be available for lending.

The repayment terms would be contingent upon the student's actual income after he or she graduates. And for the first two years after graduation, we would set a fixed repayment on assumption that the student is trying to get into a job and is just able to pay the minimum.

In other words, for two years after graduation, you become stable in your employment record and you sort of recover from the penury of being a college student. After two years on an annual basis you would furnish your adjusted gross income figure from your income tax to the school, and in turn, based upon your actual income, you would pay higher or lower monthly amounts. In no case can that total amount of payment exceed 15 percent of your income.

Mr. **Hoyer**. And that would be irrespective of what the T-PLUS-three would be?

Mr. **Kimberling**. Exactly.

Mr. **Hoyer**. In other words, it would float but it would float within a cap of 15 percent of disposable income.

Mr. **Kimberling**. Exactly. Exactly.

Mr. **Hoyer**. Based on his exact income.

Mr. **Kimberling**. The AGI. Yes.

HIGH SCHOOL DIPLOMA REQUIREMENT

Mr. **Hoyer**. OK. With respect to your proposal on this high school diploma issue, can you provide for us a summary of the GAO study on the issue of abuse of this provision? I understand that there have been alleged abuses of this.

Mr. **Kimberling**. Certainly. The GAO completed a study in late 1984, and they sampled a number of proprietary trade and technical schools. One of their significant findings is that 61 percent of the students who were admitted under the ability-to-benefit provision and received Pell Grants did not complete their studies. There was other evidence. For example, 18 percent of the students at these institutions were admitted without meeting eligible program requirements. There was a very high dropout rate. I would be happy to provide some further information, summary information from that study.

But our feeling is generally that without proper entry qualifications—there were even a couple of instances where the student lacked the ability to meet State licensing requirements, and that would not have been provided by the program or course of study—we feel that's misleading advertising and that someone who is disappointed with their education, is going to feel worse about themselves and worse about their lives than somebody who comes with the proper preparation to the table.

Mr. **Hoyer**. How controversial has that been? How much heat are you getting?

Mr. **Kimberling**. We're getting considerable comment on that proposal, certainly from the proprietary sector that would be directly affected and, to some extent, from the community college, the two-year sector, because in some States in some instances current State law allows for the admission of individuals who do not have that training. Our basic position on this is to hold fast and to say that there are ways of assuring remediation through adult night schools and through non-degree, non-certificate GED preparation courses that would allow an individual to get up to speed and demonstrate high school-level competency and equivalency before they go into one of these programs.

We're concerned about not only getting students into the system but getting them out of the system with the proper degree or certificate.

Mr. HOYER. You say it's a 61 percent failure to complete?

Mr. KIMBERLING. 61 percent of Pell Grant recipients at the institutions in this study, who were admitted under ability to benefit without a high school diploma or GED did fail to complete their course of study.

PELL GRANT AWARD RULES

Mr. HOYER. Two last questions, if I might. Last year we had a lot of discussion about this mix between the dollar figure and the percentage, 60 percent and $2,100.

Mr. KIMBERLING. Right.

Mr. HOYER. In your opinion, what is the combination that would provide the highest amount of aid to middle-income students at an average-cost State university? If you can't do that sort of extrapolation now, if you would maybe give us some additional information on that—would appreciate it because we had a lot of discussion about that, the sort of mix.

Mr. KIMBERLING. Sure. How would you define middle income? If you could give us a range, that might be helpful in preparing this.

Mr. HOYER. I would say $20,000 to $50,000.

Mr. KIMBERLING. Okay. I can give you this information. The eligibility formula currently used makes it, extremely unlikely that a Pell Grant will be made to a student from a family making more than $25,000 because the program is designed and targeted at lower income. But within that parameter and understanding the higher ranges, your definition of middle income fall out of Pell under the current program anyway. We will be happy to look into that and provide a chart.

[Information to be supplied follows:]

PELL GRANT PROGRAM—COMPARISON OF MAXIMUM AWARD AND PERCENT OF COST OF EDUCATION—MIDDLE-INCOME STUDENTS

Students from a typical family of four with two parents working and one child in college are not eligible for a Pell award if the family income exceeds approximately $28,660. Increasing the maximum award would provide larger awards and more awards for middle-income families. Increasing the maximum award raises the income level at which a student would be determined eligible for a Pell award, thereby providing awards to higher income families than currently. A $100 increase in the maximum award would raise the eligible income level for a typical family by $700 (to $29,360). Increasing the percent of cost of education would increase awards for lower income students with typical family incomes under approximately $15,000. Increasing either one of these levels, even by a small amount would substantially increase the cost of the program. For example, to increase the current maximum award level by $100 (to $2,200) would increase program costs by over $200 million. Using the current eligibility formula, for a student from a $50,000 family to be eligible for a minimum Pell award of $200, the maximum award would have to be increased to $5,800 from its current level of $2,100. The cost would be prohibitive to the Federal Government.

MINORITY PARTICIPATION

Mr. **Hoyer**. The last question. Minority participation. Are you keeping those kinds of statistics, and can you tell me what kind of trends we are seeing with respect to minority participation?

Mr. **Kimberling**. Yes, Mr. Hoyer. We discussed that a little while ago, but in brief, it differs across different ethnic groups. Certainly, it's on a vast upswing for Asian Americans. There were peaks reported for both black Americans and Hispanic Americans in approximately 1976. And then there were some declines starting about then that seemed to level off within the last couple of years.

The numbers participating, particularly among black Americans, have increased, but that's a demographic fact. And the percentage of high school graduates going on to postsecondary education peaked, declined, and is now generally leveling off. There are a number of studies which are attempting to look at what kind of variables are causing it because it's a topic of much discussion. But as yet, I am not aware that anybody has definitively put their finger on what the causes are.

Mr. **Hoyer**. Thank you, Mr. Chairman.

Thank you, Mr. Kimberling.

ALTERNATIVE TO LINEAR REDUCTION

Mr. **Natcher**. Mr. Kimberling, in our view, the statutory formula was never intended to distribute a large funding shortage of over $300 million such as you have now. For 1986 you are planning to meet the Pell Grant shortage by means of a linear reduction formula in the basic law. What would be wrong, Mr. Kimberling, and what would your reaction be, to a procedure which would make a uniform reduction in all student grants? For example, suppose you proceed to calculate awards under full funding and then reduce each grant by $100. How much would this save in program costs? And what would your reaction be to that system?

Mr. **Kimberling**. Mr. Chairman, the savings if you reduced all awards by $100 would be $294 million. In other words, out of the $368 million, it would make up $294 million of that gap. I believe that an across-the-board reduction has happened before historically. I would have to ask my colleagues.

[Pause.]

Mr. **Kimberling**. It has. So it's not an approach which has not taken place.

My personal reaction, on the low end of the award scale, is that perhaps one ought to take a look at drawing a line if such a plan were to take place. For example, decreasing a $200 award, which is the minimum under current law—which hasn't been changed for a number of years—to $100, I am not so sure that one might not want to modify such a formula and just completely eliminate awards at a certain line. $200 reduced to $100 really doesn't help very much, and typically those awards go to the higher-income families anyway that can shift those costs and deal with them in other ways.

The current statute, as we all know, does require linear reduction, and therefore such a change would require some kind of legislation. And as I indicated to Mr. Conte earlier, the linear reduction formula would go into place effective July 1, unless there were some other alternative.

I am prepared and willing to work with the Congress if the Congress and your committee especially is interested in pursuing this alternative. It is an alternative which has some historical precedent.

Mr. **Natcher**. This procedure would be much easier, wouldn't it, Mr. Kimberling, to administer?

Mr. **Kimberling**. Well, any alternate procedure other than linear reduction at this point would be a little bit administratively complex from our end of it in the sense that we'd have to put out a new payment schedule. With respect to the disbursement function, the kind of systems reprogramming that you would need for that and the verification of awards on campus, it would be easier, most likely, than the linear reduction formula because it just results in some very simple subtraction.

Mr. **Natcher**. For the record, develop a series of plans to meet the shortfall of $368 million for 1986, using a combination of uniform grant reductions and supplemental funding. Place that in the record for us, please.

Mr. **Kimberling**. I would be happy to do that.

[Information to be supplied follows:]

PELL GRANT PROGRAM—EFFECTS OF FLAT DOLLAR REDUCTION [1]—1986–87 ACADEMIC YEAR

[Dollar amounts (in millions)]

Award reduction	Program cost	Supplemental funding	Recipients	Reduction in recipients
Full funding	$3,802	$368	2,958,000	
$126 [2]	3,432	0	2,851,000	−107,000
$100 [3]	3,508	74	2,872,000	−86,000
$75 [4]	3,582	148	2,899,000	−59,000
$50 [5]	3,655	221	2,919,000	−39,000

[1] Assumes continuation of $200 minimum award policy.

[2] $126 flat dollar reduction would reduce full funded program costs to the post-sequestration level.

[3] $100 flat dollar reduction would reduce full funded program costs to $72 million under the original appropriation level, requiring $74 million in additional funds.

[4] $75 flat dollar reduction would reduce full funded program costs to the original appropriation level, requiring $148 million in additional funds.

[5] $50 flat dollar reduction would reduce full funded program costs by almost the entire sequestration amount, requiring approximately $221 million in additional funds.

PELL GRANT FUNDING UNDER CURRENT SERVICES

Mr. **Natcher**. For 1987 you are proposing $3 billion for the Pell Grant program. To carry out a policy of $2,100 maximum grant with a 60 percent cost-of-education limit, isn't this request understated by at least $500 million?

Mr. **Kimberling**. I am not aware of what the figure would be, Mr. Chairman, if you assumed no difference between current law and the full funding needs other than the maintenance of the $2,100 and 60 percent provision. We do anticipate that if the new independent student definition and other policy proposals are enacted, that our proposal would fully fund the program. I am not aware whether we've conducted a cost estimate based upon other assumptions.

Dr. Haines, maybe you have that?

Mr. **Haines**. Our current services estimate at this point is about 3.8, for $2,100 and 60 percent of cost.

Mr. **Natcher**. $3.8 billion?

Mr. **Haines**. About 3.8, yes.

WORK-STUDY/GRANT PROPOSAL

Mr. **Natcher**. Last year you requested $850 million in the 1986 budget for your proposed combination of the work-study and supplemental opportunity grant programs. This year you are requesting $400 million for essentially the same proposal. Besides reduced funding, what changes have been made in the new proposal compared to last year's proposal?

Mr. **Kimberling**. Mr. Chairman, we have beefed up the Job Location and Development Center aspect and would allow institutions to use up to 10 percent or $100,000 of their allotment of funds to be used for this purpose.

It's very successful. It results in the creation of $31.60 worth of earnings for every dollar spent on this particular component. This would be an increase of the 10 percent, $25,000 cap under the current authority. We would propose eliminating community service activities because essentially those are allowed for under our general proposal anyway, and we would require stepped-up out-year matches reaching 50 percent matching by institutions in 1990-1991, although there would be some differences for funds geared toward adult literacy projects.

FUNDING LEVEL FOR CAMPUS-BASED PROGRAMS

Mr. **Natcher**. If your proposal to combine the work-study and supplemental opportunity grant programs is not enacted, what funding level do you estimate would be appropriate for the work-study program, as it currently exists?

Mr. **Kimberling**. What would be the current services estimate, Mr. Chairman?

Mr. **Natcher**. Yes.

Mr. **Kimberling**. Dr. Haines, I think, would have a current services figure.

Mr. **Natcher**. What about that, Dr. Haines?

Mr. **Haines**. Mr. Natcher, this isn't a program like Pell Grants where we estimate the costing of this. Rather, this is an amount that we request for appropriations and then provide it to the institutions to spend on students according to their need. So we would, in all probability, even under current law, request the $400 million we're requesting under our proposal.

The real reason behind the cuts in this area as opposed to the Pell Grant area is that this program is less well-focused on the most needy students; therefore, we've increased our cuts in the campus-based programs in comparison to the percentage of the cuts in the Pell Grant program.

Mr. **Natcher**. What proportion of work-study funds are currently transferred to and from supplemental opportunity grants by participating institutions?

Mr. **Kimberling**. The cap, Mr. Chairman, is ten percent. I believe we'd have to furnish for the record, with your permission, what the actual movement in this area is.

Mr. **Natcher**. Mr. Kimberling, can you give us a rough idea, just some ballpark figure?

Mr. **Kimberling**. Sorry, Mr. Chairman, that would be tough to—

Mr. **Natcher**. Suppose you place it in the record.

Mr. **Kimberling**. Yes, sir.

Mr. **Natcher**. Give us some estimate.

Mr. **Kimberling**. I think it would differ widely by different types of institutions, and my guess is that probably there is more movement in higher-cost private institutions and less movement in the public institutions.

Mr. **Natcher**. All right.

[The information follows:]

TRANSFERRED FUNDS

Funds transferred between the College Work-Study (CWS) and the Supplemental Educational Opportunity Grant Program (SEOG) in the 1982-83 award year are as follows:

	Schools	Funds
SEOG to CWS	563	$4,645,486
CWS to SEOG	1,155	$15,703,016

Mr. Pursell?

Mr. **Pursell**. I have no further questions, Mr. Chairman.

Mr. **Natcher**. Mr. Kimberling, we want to thank you and your associates for appearing before our committee at this time in behalf of your student financial assistance request for Fiscal Year 1987.

Mr. **Kimberling**. Thank you, Mr. Chairman.

[The following questions were submitted to be answered for the record:]

SAVINGS FROM PELL GRANT PROPOSALS

Mr. Natcher: For the record, list the various changes you are proposing for Pell Grants and show the estimated savings for each of these changes. We know some of these changes interact with one another, but do the best you can to estimate the savings.

Dr. Kimberling: The following changes along with their cost savings (as compared to current services) are proposed in the President's fiscal year 1987 budget request for the Pell Grant program:

Proposals Designed to Restore Family Responsibility for Financing Education	Savings
Increase in family assessment rates at 20/30/40 percent instead of 11/13/18/25 percent	-$292 M
Increase in independent student assessment rates at 90/70 percent instead of 75/25 percent	- 146 M
Increase family size offsets	+ 234 M
Change in award rules to include the expected family contribution	- 142 M
Proposals Designed to Eliminate Program Abuse and/or Inequities	
Standardize living allowances	+ 326 M
Stricter independent student definition	- 260 M
Require a high school diploma or GED	- 131 M
Increased validation of applications	- 116 M
Eliminate offsets from income	- 181 M
Adjusted for combined effect of policies	- 133 M
Total Net Savings	$841 M

SELF-HELP PROPOSAL

Mr. Natcher: Your proposal for Pell Grants again includes a "self-help" requirement of $800 per student. As a practical matter, don't all students contribute this much now to the cost of education, either through loans or other forms of aid?

Dr. Kimberling: A minimum self-help expectation of $700-900 currently is included in the need analysis procedures used by most colleges and universities to award campus-based aid. A minimum $800 self-help expectation would formalize the current practice and would have, as you indicate, a negligible effect in most instances.

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Mr. Natcher: How many or what percentage of students do you estimate would not be able to come up with an $800 self-help contribution?

Dr. Kimberling: The impact would be negligible since the minimum $800 self-help expectation simply formalizes current practice.

Mr. Natcher: What data do you have available to show how much students are now contributing toward the cost of education?

Dr. Kimberling: We do not have data on the actual amount students contribute to educational costs. However, a survey published by the American Council on Education as Higher Education Panel Report #68, January 1986, and entitled Student Financial Aid to Full-Time Undergraduates, Fall 1984, by Charles J. Anderson, indicated that financial aid administrators expected various levels of student self-help contributions when developing student financial aid packages. Nationally, aided full-time Freshmen were expected to earn $1,322 as their contribution to educational costs. Aided full-time seniors were expected to contribute $1,530 from earnings.

Mr. Natcher: According to your justifications, over 50 percent of Pell Grants are awarded to students with income of less than $8,500. Are most of the students at this income level in the independent category?

Dr. Kimberling: The majority of students receiving Pell Grant awards from family income levels of $7,500 or less are independent students. We estimate that approximately 60 percent of all Pell Grant recipients with incomes below $7,500 have filed applications as independent students.

Mr. Natcher: How could students with incomes of less than $7,500 contribute $800 in "self-help" toward the cost of education?

Dr. Kimberling: It is not a requirement that the "self-help" contribution come only from the student's own resources. Self-help can be obtained also through the available Federal loan and Work-Study programs.

PROPOSED INCREASE IN INCOME ASSESSMENT RATES

Mr. Natcher: The 1987 budget includes a proposed change in assessment rates on income of Pell Grant recipients from the current 11 percent going up to 40 percent. What do you expect the effect of the change will be on students below $15,000 adjusted gross income?

Dr. Kimberling: For students from family income levels below $15,000 the increased assessment rates would have little or no effect on their Pell Grant awards. The Pell Grant award for a dependent student from a family of four with an income of $15,000 is $1,780 at any institution in 1985. Under our 1987 proposal, the award would be $1,610 at a low cost-institution and $1,910 at a medium cost institution. We estimate that under our proposal approximately 78 percent of all Pell Grant recipients would be from family income levels of $15,000 or less--the same as under current law. In addition, under our proposal, 84 percent of all Pell Grant funds would be targeted to students from family income levels below $15,000.

PELL GRANT RECIPIENTS ATTENDING PRIVATE INSTITUTIONS

Mr. Natcher: What percentage of Pell Grant recipients are attending private institutions?

Dr. Kimberling: Approximately 38.3 percent of Pell Grant recipients attend private institutions.

Mr. Natcher: What is the trend in Pell Grant recipients attending private institutions? Up or down?

Dr. Kimberling: Following is a table that shows the trend of Pell Grant recipients attending private institutions.

Award Year	Total Recipients at Private Institutions (Profit & Non-Profit)	Percentages of Recipients Enrolled to Total Recipients
1980-81	949,206	33.4
1981-82	955,661	34.3
1982-83	953,411	36.5
1983-84	1,073,481	37.7
1984-85	1,106,298	39.1

Mr. Natcher: Would you say that your Pell Grant proposal for 1987 would benefit students attending public institutions more than those attending private schools?

Dr. Kimberling: Our proposals for the most part were designed to be neutral. They were not developed to favor any particular sector and we do not anticipate any enrollment shifts from private to public institutions if our proposals are adopted. With specific reference to financing public institutions, the 60 percent limitation on grant assistance would most affect those students attending low cost public institutions. In addition, our Income-Contingent Loan proposal was designed to permit low income students to borrow enough money to attend higher cost schools, which could result in an increased enrollment rate of low income students at private schools.

Mr. Natcher: In your opinion should the Federal Government policy for student aid provide access to postsecondary education but not necessarily guarantee a choice of institutions?

Dr. Kimberling: The Federal Government should ensure access and a reasonable measure of choice, but not necessarily guarantee the choice of any institution. In our 1987 budget request, we are proposing an Income-Contingent Loan program which would enhance

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institutional choice at the undergraduate and graduate levels by authorizing substantially higher award levels than are permitted under current law. Students who decide to attend a higher cost institution can also finance the additional costs through either the Guaranteed Student Loan program or the PLUS program.

NON-TRADITIONAL STUDENTS

Mr. Natcher: What is your view on the availability of Pell Grants for non-traditional students, such as part-time students or those over 22 years of age?

Dr. Kimberling: Recent participation rates in our student aid programs indicate that the number of non-traditional students receiving Federal student financial assistance has grown dramatically during the last few years. The Department's student aid policy is focused on restoring the emphasis on student and parent responsibilites for financing college costs, targeting limited Federal resources on the neediest students, and reducing opportunities for fraud and abuse. Within the context of these principles non-traditional or part-time students who can demonstrate need for Pell Grant assistance or any other type of Federal assistance should receive it.

Mr. Natcher: Do you think there should be restrictions on non-traditional students receiving Pell Grants?

Dr. Kimberling: As mentioned in the answer to the previous question, non-traditional students who can demonstrate need for Pell Grant assistance should receive it.

PELL GRANT RECIPIENTS WHO DO NOT HAVE A HIGH SCHOOL DIPLOMA

Mr. Natcher: What data do you have showing the number of Pell Grant recipients who do not have a high school diploma, but who have been admitted to a college on the basis of their ability to benefit from postsecondary education?

Dr. Kimberling: This type of information is not currently collected by the Department. Any information we obtain regarding students admitted on the basis of "ability to benefit" comes through either reviews or audits of institutions. Such an audit was performed by the General Accounting Office (GAO) and their critical report, in part, has prompted us to propose eliminating the ability to benefit criteria. According to the GAO report on proprietary institutions, approximately 28 percent of the Pell Grant recipients were admitted on the basis of "ability to benefit."

INDEPENDENT STUDENTS

Mr. Natcher: What is the average age of an independent Pell Grant recipient currently, and what is the average Pell Grant for an independent student?

Dr. Kimberling: Over 50 percent of all Pell Grant recipients are below the age of 27. The average Pell Grant during the 1983-84 award period for an independent student was $1,088 as compared to $1,079 for a dependent student.

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Mr. Natcher: How will the proposed change in the definition of independent students affect the award of Pell Grants?

Dr. Kimberling: The Department's proposal to tighten the determination of dependency status in awarding Federal student financial assistance would make it harder for students to claim independence from their parents, thus the combined income of the parents and the student would be considered in determining Pell Grant eligibility. This would probably result in eliminating some students from program eligibility or reducing their award amount from the level they would have received as an independent student.

WORK-STUDY

Mr. Natcher: To what extent do participating institutions use their work-study allocation for "community service learning" programs?

Dr. Kimberling: The authority for community service learning has been in the statute for more than ten years. However, there has never been great utilization of this authority by the institutions receiving work-study funds. Only 11 institutions utilized these funds in the amount of $131,646 during the 1983-84 award year.

Mr. Natcher: Are work-study recipients required to accept their part-time employment in the same area as their field of study?

Dr. Kimberling: Although it is statutorily encouraged, it is not mandatory for work-study recipients to accept part-time employment in the same area as their field of study. However, there is a real effort by Student Financial Aid Officers to try and place students in jobs closely related to their field of study.

Mr. Natcher: What is the average wage earned by work-study participants?

Dr. Kimberling: The average award earned by a work-study participant during the 1983-84 award year was $886.

Mr. Natcher: What proportionate share of the cost of attendance in public and private institutions does this amount represent?

Dr. Kimberling: In 1983-84, the average cost of attendance was $3,160 at a public institution and $7,540 at a private institution. This average cost includes tuition and required fees, and room and board costs for a resident student. The average work-study award of $886 represents 28 percent of the cost of attendance for public institutions and 11.8 percent of that cost for private institutions.

INCOME-CONTINGENT LOAN PROPOSAL

Mr. Natcher: Your proposal for an income-contingent program to replace the Direct Student Loan program would require even the neediest students to incur a sizable debt in order to afford a college of their choice. Isn't this unfair and unrealistic?

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Dr. Kimberling: No, not at all. We think our Income-Contingent Loan (ICL) proposal is eminently fair and realistic in that loan payments would be based on actual borrower income circumstances after leaving school. By comparison, the repayment provisions of the existing National Direct Student Loan (NDSL) and Guaranteed Student Loan (GSL) programs--being relatively inflexible--are more likely to create a burden for borrowers who are not as successful in their earnings careers.

Mr. Natcher: Has the Department conducted detailed analyses of the potential impact of such a debt burden on needy students?

Dr. Kimberling: Our Income-Contingent Loan proposal has been designed specifically with the debt burden of needy borrowers in mind. While borrowers would be required to pay the full interest cost of their loans (and would be authorized to borrow substantially higher amounts than under current law), repayment would be based on actual post-school income circumstances and could be extended for as long of a duration as needed to repay loan amounts at a reasonable pace--never more than 15 percent of income in any one year and taking as long as a lifetime earnings career, if necessary.

For example, even given the maximum proposed lifetime borrowing under the ICL program of $40,000, monthly payments for a borrower with a $10,000 post-school income would begin at only about $153. By contrast, under a 10-year fixed-payment schedule, monthly payments of about $732 would be required to repay $40,000 in borrowings--a clearly unreasonable debt burden.

Mr. Natcher: What evidence do you have available to show that an institution will have the ability to administer an income-contingent loan program in an efficient and cost-effective manner?

Dr. Kimberling: Over the past 25 years or so of institutional participation in the NDSL program, colleges and universities have significantly improved their ability to manage their student loan portfolios. Many employ the services of commercial billing and collection agencies, and would be expected to continue doing so under an Income-Contingent Loan program. While ICLs would likely require some additional servicing beyond that required for NDSLs, we think schools and their privately-contracted collection services are more than capable of program administration.

Moreover, it is precisely because of the additional administrative burden that ICLs would likely place on participating schools that our proposal provides that institutions be permitted to (1) elect participation in the program (and, if electing not to participate, foregoing new Federal capital, but still having the use of existing NDSL funds); and (2) assign collections responsibility for any or all Income-Contingent Loans to the Department (losing proprietary interest in the assigned loans, however).

NATIONAL DIRECT STUDENT LOANS

Mr. Natcher: How many National Direct Student Loan recipients also receive Guaranteed Student Loans?

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Dr. Kimberling: We do not have complete data on all aid recipients at the present time which would identify the overlap between these two programs. We are preparing to do a major survey of aid recipients which we anticipate will provide us with such complete data. However, based on our survey of first-time, full-time freshmen, approximately 7 percent of Federal student aid recipients receive both a Direct Loan and a Guaranteed Student Loan and over 40 percent of the Direct Loan recipients also receive a Guaranteed Student Loan.

Mr. Natcher: What is the current average total debt burden incurred by a student who received both direct loans and guaranteed loans?

Dr. Kimberling: As indicated, our records at present time do not indicate which students have received loans under both programs. We estimate that in fiscal year 1985 the average Guaranteed Student Loan was $2,289 and the average Direct Loan was approximately $880.

Mr. Natcher: Why do you regard the National Direct Student Loan program as having a "costly design" as your budget suggests?

Dr. Kimberling: There are a number of NDSL program features that we view as costly. For one, even given the currently lower private market interest rates, this program's borrower interest rate of five percent remains heavily subsidized--particularly in view of the credit risk involved in making these loans and the high incidence of default.

Moreover, there is no interest return at all on these loans during in-school, grace, and deferment periods. Besides the extremely high cost of supporting these periods of full borrower subsidy, institutional administration of the numerous payment deferment provisions is unnecessarily complicated and burdensome.

When compared with a reasonable "benchmark" credit instrument (e.g., an unsecured personal loan with an upfront administrative/insurance fee), it has been estimated that the level of a "public subsidy" provided by the current program (i.e., the "present value" of the subsidy provided over the full term of the loan) is equal to 78.53 percent of the loan amount itself (or in other words, $78.53 on every $100 borrowed).

DEFAULT RATE FOR DIRECT STUDENT LOANS

Mr. Natcher: What are the reasons for the high default rate under the Direct Student Loan program?

Dr. Kimberling: We all share responsibility for the high default rate in the Direct Loan program. Students did not assume their responsibilities adequately. Many institutions failed to manage the program in a business-like manner. The Department also failed to take the necessary steps in the past to assist these institutions with sufficient training in operating the program and pursuing proper collection procedures.

Mr. Natcher: What has been done by the Department to encourage the reduction in the default rate?

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Dr. Kimberling: The Department has taken a number of steps to address the default problem in the NDSL program. Institutions which are unable to collect from their borrowers are encouraged to assign the defaulted loans to the Department for collection. The Department's overall collection efforts have been improved significantly over the years, resulting in major increases in collections from defaulted borrowers. Institutions are also prevented from receiving any additional new Federal capital contributions if they fail to keep their default rates down below acceptable limits. Currently, institutions with default rates above 25 percent do not receive any new capital, and institutions with rates above 10 percent have their new capital awards reduced.

Mr. Natcher: What is the current rate?

Dr. Kimberling: Excluding those loans assigned to the Federal Government for collection, the current institutional default rate for the National Direct Student Loan program as of June 30, 1984 is 8.96 percent.

REDUCING CAMPUS-BASED LOAN RECIPIENTS

Mr. Natcher: Under your budget request for 1987, the number of recipients of campus-based loans would decrease by nearly half. What alternative sources of assistance would be available for these students, if they are also ineligible for other Federal student aid programs because of the more stringent need standards?

Dr. Kimberling: Highly subsidized Federal student aid funds should only be awarded to students who do not have the family resources to assist them with their postsecondary education. Students who do not qualify on the basis of need come from families which have discretionary income which should be available for their children's education. However, in the event parents elect not to use their available discretionary income for education, they may still borrow through the less subsidized PLUS loan program.

DIRECT STUDENT LOAN REVOLVING FUNDS

Mr. Natcher: What is the current status of institutional National Direct Student Loan revolving funds?

Dr. Kimberling: We estimate that the total current amount available for lending in the institutional Direct Loan revolving loan accounts is approximately $565 million.

STATE STUDENT INCENTIVE GRANTS

Mr. Natcher: Do you believe that the State Student Incentive Grants have played an important role in providing assistance to students?

Dr. Kimberling: Yes, we believe the State Student Incentive Grant program has played an important role in providing assistance to students. At the time the program was authorized in 1972, only 31 States had State scholarship programs. Now all of the States do. The amount of assistance generated by these programs now exceeds $1.2 billion--by any measure a very sizable contribution toward meeting the financial needs of our postsecondary students.

Mr. Natcher: Do you think that States providing only the required dollar-for-dollar Federal match would continue their student aid programs without Federal funds?

Dr. Kimberling: We have no reason to believe that those States that match dollar-for-dollar would discontinue their scholarship programs. Most States as we have noted considerably overmatch.

Mr. Natcher: Is there any evidence that the withdrawal of Federal aid would result in the termination of an aid program in any State?

Dr. Kimberling: We have no reason to believe that the withdrawal of Federal aid would result in the termination of any State scholarship program.

PELL GRANT PAYMENT SYSTEM

Mr. Obey: On April 7, 1986, college financial aid officers at some universities and colleges in several States received a letter that was coded (P-86-14(LD)) from Gary L. Crayton, Chief of the Pell Grant Branch of the Division of Program Operations. This letter included a notice that some of the Pell Grant awards provided in the 1984-85 school year were being reduced to zero and that the school had no recourse but to absorb the costs of this decision into their own budget. How many institutions across the Nation received such letters?

Dr. Kimberling: The letter went to all funded institutions (5,284) for the 1984-85 award year. The letter was primarily intended to notify schools of the upcoming distribution of the 1984-85 Student Payment Summary. It also alerted schools that they would receive a final batch of Processed Payment Documents reducing the payment we accepted to $0 for recipients with a Validation Status of "W" (Without Documentation). Only those institutions that failed to correctly complete this requirement received the special batch. There were 1,316 schools that received the "Without Documentation" batches covering 6,536 unresolved student validations out of a total of 2.830 million recipients in the program. There were 3,968 institutions which successfully completed the requirement prior to December 31, 1985. A copy of the final batch of Processed Payment Documents was provided to the Committee for their information.

Mr. Obey: How many States in the Nation had higher education institutions that received such letters?

Dr. Kimberling: The April 1986 letter P-86-14 (LD) went to institutions in all 50 States, Guam, Puerto Rico, the Virgin Islands, the District of Columbia, American Samoa, and the Trust Territories. The 1,316 "without validation" batches went to institutions in all 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands. A list showing the number of batches sent to each of the

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above locations and a list showing distribution by type and control of the 1,316 schools involved has been provided to the Committee for their information.

Mr. Obey: What is the total amount of money, by State, that institutions are being told to absorb?

Dr. Kimberling: The 1,316 "without documentation" batches total $7,377,768. Prior to congressional inquiries, Department personnel had already reviewed the impact of both the 1984-85 notice of deadline dates and the regulation requiring the Department to reduce unresolved "validation W" cases. It should be noted that an institution which chooses, administratively to make payment of up to one-half of a student's grant prior to completing validation is required to assume the liability for such payments if validation is never completed. The 1984-85 Validation Handbook specifically points out to institutions that the Department does not recommend this option and further mentions that this option cannot be used where the school has documents with conflicting information.

The Department is in the process of notifying the 1,316 institutions affected by the "W" batch problem. A one-time exception to the December 31 deadline will be granted where schools actually completed validation properly for their students, but failed to report the required information to the Department by the applicable deadline date. Any necessary funding actions after these data are processed will be made.

Mr. Obey: Of the awards that are not being reimbursed by the Department of Education, how many of the awards has the Department audited to determine that the awards made by the affected institutions are invalid as a result of the school's determination of eligibility criteria?

Dr. Kimberling: Institutions are required to undergo an audit at least once every two years. Eligibility would be a key factor in the conduct of an audit, as well as compliance with the regulations. Given the timing of the two year audit requirement, it is not likely that many institutions would have undergone an audit covering the 1984-85 award year which would invalidate the payments. Department personnel will give specific attention to these particular schools and students during upcoming audits and program reviews.

Mr. Obey: The 1984-85 school year was the first year when a new system for the Pell Grant program was established. Did the participating institutions have a clear set of guidelines that remained unchanged throughout the year for use in the implementation of the new system?

Dr. Kimberling: Yes, in fact the procedure and institutional requirements and liabilities for 1984-85 were identical to those in 1983-84. The 1983-84 validation procedure established the use of Validation Status Codes on the SAR to show that the institution followed the validation procedures outlined in the Validation Handbook mailed to institutions May 1983. The "W" (without documentation) allowed the payment of one-half the Pell Grant prior to the receipt of the required documentation. Institutions were required to adjust the Validation Roster at the end of the year to reflect the code under which the student was finally awarded.

Institutions received the following notices covering the validation procedures and the following notices have been provided to the Committee for their information.

(1) Federal Student Financial Aid Handbook 1983-84

(2) Pell Grant Validation Handbook for 1983-84

(3) Dear Financial Aid Administrator letter P-84-24 dated September 1984 for 1983-84 award year

(4) Pell Grant Validation Handbook for 1984-85

(5) Action Letter #3 dated May 1984

(6) Action Letter #4 dated June 1984

(7) Action Letter #7 dated February 1985

(8) Federal Register dated March 20, 1985; Notice of Deadline Dates for the 1984-85 award year

(9) Dear Colleague Letter dated April 1985 for the 1984-85 award year

(10) Dear Financial Aid Administrator Letter dated July 1985

(11) Action Letter #8 dated October 1985

PELL GRANT PAYMENTS

Mr. Obey: Was there, during the 1984-85 school year, a computer error where information that the participating institutions provided was coded into the computer incorrectly?

Dr. Kimberling: Initial, limited operations began on November 15, 1984, with institutional submissions processed in order of receipt. A software modification to correct processing inconsistencies, and unrelated to the Validation Status data element, was approved by Department staff during this period. The contractor was directed to install these approved changes into the production system. Instead, however, a totally different (and incorrect) version of the software was implemented. For batches processed on December 22, 1984 through January 8, 1985, the following processing occurred:

> If the school submitted Validation Code 'R' (for reprocessed) for Pell application transaction 02 (or higher), an erroneous assumption was applied. The "W" code was assumed if the applicant had been selected for Validation by the Pell Application processing system.

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The software problem for the period December 22, 1984 through January 8, 1985 had no bearing on the institutions' ability to meet the December 31, 1985 deadline date for submission of the processed payment documents. In fact, 3,968 institutions successfully completed the requirement by the December 31, 1985 deadline date.

Mr. Obey: If so, what did the Department do to correct the problem?

Dr. Kimberling: When the problem was brought to the attention of Department staff on January 8, 1985, processing for 1984-85 was stopped immediately. The delay in learning of the problem was due to the fact that Department staff did not see the actual Processed Payment Documents which were printed outside the Washington, D.C. area. Since the software version reviewed by Department staff worked properly, we were not aware of the processing error until regional contact people were notified by some schools after receiving their batches.

After the software problem was identified, the correct procedure was put into production and a detailed quality control review was performed, including quality control of actual documents by Department staff. The disbursement system was reopened for processing and Action Letter #7 was prepared which alerted institutions to the possible problem involving Processed Payment documents for validation status.

Department staff were given detailed training to assist institutions regarding the issue and regional staff were thoroughly briefed through regular conference calls. We apologized to schools for the error but to prevent further complications, considering many schools had already resubmitted the documents, these schools were instructed to correct and resubmit at least the "Without Documentation" cases.

Mr. Obey: When was the date when the Department of Education established that no more corrections would be accepted for Pell Grant documentation for the year 1984-85?

Dr. Kimberling: The March 20, 1985 notice established the specific December 31, 1985 deadline date for the submission of 1984-85 Student Aid Report (SAR) Payment Documents in accordance with Section 690.83 of the Pell Grant Program regulations (Federal Register, March 15, 1985).

The Department began the effort to change the regulations regarding payment deadlines in July 1981. The initial recommendation involved cut-off dates for the submission of the Student Validation Roster (SVR), the Student Aid Report, corrections to the Roster, and first time submission of SARs after the receipt of the initial SVR.

A notice of deadline dates was published in the Federal Register on March 2, 1982 for the 1981-82 award year; a notice was published in the Federal Register on February 11, 1983 for the 1982-83 award year; a notice was published in the Federal Register on February 10, 1984 for the 1983-84 award year; and a notice was published in the Federal Register on March 20, 1985 for the 1984-85 award year.

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These notices covered the deadline date for receipt of application forms for determining expected family contribution; other documents that covered four categories; deadline dates for receipt of the SAR and ED forms under the Alternate Disbursement System; deadlines dates for receipt of Progress Reports and the Student Validation Roster; and Validation Procedures and Deadline Dates (August 15, 1984 for 1983-84 and August 15, 1985 for 1984-85).

Mr. Obey: What are the dates for closing out the program for the 1980-81, 1981-82, 1982-83 and 1983-84 school years for the Pell Grant program?

Dr. Kimberling: The March 20, 1985 notice also included December 31, 1985 as the cut-off date for any award years prior to 1984-85. The change for prior years to the same December 31 date was based on the Department's recommendation to give a consistent specific date applicable to all prior years.

Mr. Obey: When, before the final date for closing out the program for the 1984-85 Pell Grants awards, did the Department of Education inform the institutions that received the Crayton letter in early April, 1986 that there was a specific list of students whose Pell Grants for that year were not validated according to the information available to the Department of Education?

Dr. Kimberling: During the processing cycle, whenever institutions submitted their batches to the Department which included a "W" (Without Documentation) next to the student's name, they received a Processed Payment Document stating that their award would be reduced to zero if they did not complete validation.

In addition, the Student Payment Summary mailed in mid-October contained all the "Without Documentation" status codes that were unresolved at that time. If a student was selected for validation during the application process or the institution indicated validation "Without Documentation" on the hardcopy payment document or in the tape transmission, the information was recorded by the Department in its disbursement system. The processed data was returned to the institution for resolution of the validation status.

The Department will send schools their first Student Payment Summary for the 1985-86 award year sometime in May, 1986. This will list the students who have been paid that still have a "W" for validation status. At the end of the listing there will be a table showing the number of students which fall into the "W" category. The Department plans to produce the "Without Documentation" batch for schools much earlier for the 1985-86 award year. A copy of the Student Payment Summary was provided to the Committee for their information.

Mr. Obey: It is our understanding that some of the information was enmeshed in computer lists with other information about students. I am interested in knowing whether there was a specific list sent to campus financial aid officers telling them that there was a particular problem with the Department of Education records regarding students that were coded "W" before the deadline when the Department

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determined that no more corrections would be accepted? If such a communication was sent, please sent a copy of the document for enclosure in the hearing record.

Dr. Kimberling: The initial Student Payment Summary which institutions received in October 1985 listed all the unresolved "Without Documentation" cases. However, the institution's disbursement was not reduced at this time. All institutions with unresolved cases had until December 31, 1985 to correct the data and resubmit their corrections to the Department.

Mr. Obey: Section 411(a) of the Title IV of the Higher Education Act says, "The Secretary shall pay to each eligible student a basic grant in the amount for which that student is eligible." Does the letter coded P-86-14 mean that the Department of Education will refuse to pay eligible students for Pell Grants during the 1984-85 school year?

Dr. Kimberling: The letter coded P-86-14 (LD) does not represent a Department of Education refusal to pay eligible students. The students that are served by the Pell Grant program have always had to meet specific deadlines to maintain their eligibility for a Pell Grant. If students do not meet a particular deadline, then they forfeit their opportunity to receive a Pell Grant for that award year. Now for the first time, each institution must also meet a final deadline for submitting accurate documentation of payments to their students. Institutions accept responsibility when they sign a Program Participation Agreement to perform the function and activities set forth in the Pell Grant Program regulations. Submission of reports is one of the requirements set forth in the regulations. A copy of the Program Participation Agreement was sent to the Committee for their information.

MAXIMUM PELL GRANT AWARD

Mr. Roybal: Why does the Department propose retaining the current ceiling of $2,100 on Pell Grants when the purchasing power of these grants has not kept pace with the cost of postsecondary education?

Dr. Kimberling: A $2,100 maximum Pell Grant is sufficient to cover more than fifty percent of the average cost of attending a public university. A limit on the amount of Federal grant aid received will reinforce the policy that every student will have some personal commitment to financing his or her cost of education. In combination with the expected family contribution, other Federal and non-Federal assistance, a $2,100 maximum Pell Grant should enable students to finance most of the cost of postsecondary education.

SINGLE NEED ANALYSIS PROPOSAL

Mr. Roybal: What effect will the proposed single need analysis have on Pell Grant recipients? Won't this result in a decrease in the grant awards to lower income students as well as to eligible students at higher income levels?

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Dr. Kimberling: The parents of a dependent student would be expected to contribute a larger portion of their discretionary income to finance educational costs--20 percent of the first $5,000, 30 and 40 percent in subsequent $5,000 increments instead of the current rates of 11/13/18/25 percent. In 1985, typical families of dependent students with incomes of $15,000, $20,000 and $25,000 were expected to contribute approximately $320, $930, and $1,590 to meet their students' educational costs. Under the increased assessment rates, those families' contributions would be $190, $1,050, and $2,280. (The typical family of a dependent student is a family of four with two wage earners, no contribution from assets, and one member in a postsecondary institution.)

The independent student would also be expected to contribute a higher percentage of his or her discretionary income--90 percent for unmarried students with no dependents and 70 percent for married students and students with dependents instead of 75 percent and 25 percent respectively.

Although the rate of assessing discretionary income would be higher, a more realistic appraisal of actual family living expenses would lower discretionary income levels subject to assessment in many cases. Typical families of dependent students with incomes below $13,900 would be eligible to receive the maximum grant award. Dependent students from families with incomes above this amount would receive lower grant awards.

The single need analysis system proposed for the Pell Grant program as well as the consolidated Campus-Based Aid and Income-Contingent Loan programs would help restore the traditional role of the student and the student's family in meeting postsecondary costs.

LIMIT FOR FEDERAL GRANT ASSISTANCE

Mr. Roybal: Won't the proposed cuts in both the Pell Grant and SEOG programs limit student choice in selecting a college to lower cost institutions, causing a decrease in the enrollment in private, higher cost institutions?

Dr. Kimberling: Pell Grant and SEOG assistance could still provide up to 60 percent of the support required by needy students who elect to attend higher cost institutions. Students who choose such institutions may still obtain assistance through the Guaranteed Student Loan program, PLUS, or the new Income-Contingent Loan program, which is designed to permit low income students to borrow enough to attend higher cost schools. Support is also available through the Work-Study program. In addition, many private higher cost institutions have their own scholarship programs. Our proposals for the most part are designed to be even-handed with respect to institutional sector and we have seen no evidence which would suggest that there would be a major shift in college attendance from the private to the public sector as a result of our proposals.

HIGH SCHOOL DIPLOMA REQUIREMENT

Mr. Roybal: In light of the large number of high school drop outs and adults without high school diplomas, why does the Department propose requiring a high school diploma or the equivalent for financial aid eligibility?

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Dr. Kimberling: We are concerned about institutions admitting students who are not able to complete coursework at the postsecondary level due to a lack of basic training at the secondary level. A General Accounting Office Report on this subject showed that the current "ability to benefit" determinations made by institutions are frequently inadequate or absent and that 61 percent of the students admitted under an "ability to benefit" determination failed to complete their course of instruction (compared to 47 percent of the students with a high school diploma or its equivalent). Proof of secondary skill proficiency through a high school diploma or its equivalent should be a minimum standard for receiving Federal financial assistance at the postsecondary level.

Mr. Roybal: Even though these students have a slightly higher termination rate of study than students with a degree, isn't it worth the investment to offer these needy students the opportunity to receive an education?

Dr. Kimberling: Our proposal to require a student to possess a high school degree or its equivalent does not deny anyone an educational opportunity; it ensures that the individual student has the capability to benefit from the education offered and maintains the integrity of the postsecondary education program. A student without either a high school diploma or its equivalent should first be encouraged to fulfill these minimal requirements, particularly in today's society. In many States, courses leading up to equivalency or high school diplomas are generally offered at minimal or no cost by the local school districts.

LIMITING PELL GRANT ELIGIBILITY TO FOUR YEARS

Mr. Roybal: Won't limiting Pell Grant eligibility to four years adversely affect low income, disadvantaged students? These students often need additional or remedial training, which extends the length of their course of study from four years to five.

Dr. Kimberling: The Department's proposal to limit Pell Grant eligibility to the equivalent of four years of full-time study is based on a General Accounting Office report which documents a high incidence of "perpetual students" who continue to receive Pell Grants for a period that is well beyond the normal time frame for an undergraduate course of study. The four year limitation on receiving Pell Grants was eliminated from the law in 1980 and has contributed to the current situation in which students can receive Pell Grants virtually without end. Our proposal would allow a fifth year of eligibility under certain circumstances, for example, the need for remedial work.

NATIONAL DIRECT STUDENT LOAN PROGRAM

Mr. Roybal: The Department proposes to change the entire focus of the NDSL program. Aside from the income contingent repayment plan, under this proposal, how will the NDSL program effectively differ from the GSL program?

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Dr. Kimberling: The Department's newly proposed Income-Contingent Loan program (which would not really be a completely new program, but rather a restructuring of the existing NDSL program) would differ from the GSL program in a number of significant ways.

The most obvious and important difference between ICLs and GSLs is that loan repayment under the ICL program would be income-sensitive (the borrower's payment schedule being reestablished annually on the basis of total amount borrowed and adjusted gross income). GSL payment schedules are fixed-term, although there is limited authority for graduated repayment. Income-contingent repayment is expected to make it possible for students to borrow greater amounts without creating unmanageable debt burden.

Another major difference is that the ICL program is designed to operate over the long-term on an unsubsidized basis, at no net cost to the Federal Government in providing loan capital. Because borrowers would repay their loans at a market-sensitive interest yield (proposed to be the 91-day Treasury bill rate plus three percent) with interest accruing during in-school, grace, and deferment periods, the return to the institutional student loan revolving funds should be in amounts sufficient to protect their inflation-adjusted value. An unsubsidized loan operation permits the Federal Government--even in a period of intense budget restraint--to support continued capital investment. GSLs, by comparison, would be effectively subsidized through the second year of repayment since the interest rate would be set for that period at the 91-day Treasury bill rate itself with no premium added for default and administrative costs.

With respect to loan origination and administration, ICLs (like NDSLs) would be made and serviced directly by participating institutions of higher education, whereas GSLs are made by private lenders such as banks, savings and loan institutions, and credit unions. ICL loan capital would be provided principally through Federal contributions to institution-level revolving funds (such capital contributions to include--in addition to newly appropriated monies--Federal-level collections on assigned loans, proceeds from the sale of certain assigned defaults, and a small amount of other program income). The GSL program is capitalized by the private lenders themselves (with secondary market operations infusing additional capital and Federal-level "purchase" of defaults through direct insurance and reinsurance effectively doing the same).

Loan limits would differ, too, between ICLs and GSLs. Income-Contingent Loans are proposed to be available in generally larger amounts than GSLs--both per year and in the aggregate, and most substantially at the graduate level. While, for the first and second academic years of undergraduate study, ICLs would only be available for up to $2,500 per year (the same as GSLs), borrowing maximums would increase to $3,500 and $4,500 for the third and fourth years respectively, with another $4,500 available for a fifth year of undergraduate study, if necessary. Graduate-level loans would be available for up to $10,000 per year, with a lifetime borrowing limit of $40,000. By comparison, GSLs would continue to be limited to $2,500 per year for all years at the undergraduate level and $5,000 per year for graduate study, with an aggregate borrowing limit of $25,000.

ELIMINATING ADMINISTRATIVE COST ALLOWANCE

Mr. Roybal: How does the Department justify eliminating the administrative cost allowance to institutions when the complex Federal regulations and verification requirements have increased costs to schools?

Dr. Kimberling: The administrative cost allowance paid to institutions of higher education is used to offset the costs associated with administering these programs. In many instances these allowances directly reduce the funds available for student awards.

We must recognize that the institutions participating in these programs receive a direct financial benefit as a result of their participation. The aid provided to students through grants, work, and loans is for the most part used to reimburse institutions for tuition and other charges associated with attendance at an institution of higher education. For this reason, we believe that institutions should help to bear the costs associated with administering the student financial aid programs.

In addition, it should be noted that the Administration has taken a number of steps designed to reduce the burden of administering these programs. The fiscal year 1987 budget proposes further changes which will simplify program administration. The consolidated work/grant program and single need analysis proposals illustrate our efforts to simplify these programs.

Mr. Roybal: Won't eliminating this allowance mean that financial aid offices will decrease the debt counseling services offered to students and the quality of control over the financial aid programs?

Dr. Kimberling: We do not believe that either student debt counseling or quality control will be adversely affected as a result of eliminating these allowances.

Institutions have a responsibility to provide counseling to students and debt counseling should be part of an integrated counseling program and not a separate activity supported by Federal funding. In the instance of the Direct Loan program institutions have a vested interest in such counseling in that the institutions receive the loan repayments and have these funds in their institutional revolving fund with which to make awards to other students.

Institutions also have a vested interest in assuring that aid is properly awarded. Quality control is necessary to assure the long-term success of the Federal student financial aid programs. Unless we can assure the public that funds are properly used, support for these programs will deteriorate. For this reason, we believe that institutions will be motivated to assure that the Federal funds provided are properly used without allowances being provided. Institutions lose, as we all do, when limited resources are misdirected to those who do not really need them. Consequently, most institutions have become much more sophisticated in their

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awarding of financial assistance, utilizing new computer technology and data exchange to increase quality control. We do not see institutions retreating from these commitments.

Mr. Roybal: How will eliminating the administrative cost allowance to institutions increase the amount of funds available for student financial aid?

Dr. Kimberling: Institutions may use up to 5 percent of their expenditures under the campus-based student aid programs--Supplemental Grants, Work-Study and Direct Loans--for administrative costs. This set-aside is withdrawn from program funds. It is calculated on the basis of the institution's expenditures. For example, the allowable set-aside for administrative costs for Direct Loans is up to five percent of the amount loaned from the revolving fund. That amount can then be withdrawn from the Federal capital contribution and used for administrative purposes. These hidden allowances directly reduce funds appropriated for student awards. In fiscal year 1985 campus-based program set-asides totaled almost $78 million. That amount would have provided many students with financial assistance.

In addition, institutions receive $5 per Pell Grant recipient to pay the costs of administering Federal student aid programs. This, too, is not a direct appropriation for that activity but is reserved from the Pell Grant appropriation.

In total, in fiscal year 1985, approximately $92 million of Federal funds was spent by institutions of higher education for administrative purposes. If such allowances are not allowed in future years, these funds would be available for direct aid to students.

STATE STUDENT INCENTIVE GRANTS

Mr. Roybal: A recent NASSGP poll of each State regarding the impact of eliminating the SSIG program indicated that nine States would likely lose all of their state grant funding and thirty states would continue their program at a reduced level equal to the amount of lost SSIG funding. In light of this poll, how does the Department justify eliminating the SSIG program?

Dr. Kimberling: The SSIG program was first authorized in 1972 specifically to provide an incentive to States to establish State scholarship programs. All States now have scholarship programs. Over $1.2 billion is contributed by the States with most States (32) significantly over-matching. The Federal contribution to this program is $76 million which represents a fairly insignificant portion of that funding. There is no evidence that would lead us to believe that States would lessen their commitments to this effort.

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CAMPUS-BASED PROGRAMS

Mr. Conte: Dr. Kimberling, at our hearing with the Secretary on Tuesday, I asked about this year's proposal to replace the SEOG and Work-Study programs with a combined Campus-Based program, essentially the same proposal as we have seen in the past couple of years, except that the funding proposed in 1987 of $400 million is only half of the $800 million proposed last year.

When I asked what the reason was for cutting in half an amount the Administration has previously proposed for this program, the answer that came back was that there was a set budget target that had to be met, and the only way to meet that target was by further reducing funding in this area, below what even the Administration had previously advocated. What that answer indicated to me, Dr. Kimberling, was that the numbers in this budget, particularly in the student aid area, were backed into to meet a budget target presumably set by the Office of Management and Budget.

Is that how these numbers in the student aid budget were reached, by backing into them to meet an overall target?

Dr. Kimberling: No, the budget for student financial aid was not developed by backing into an overall target. Instead, legislative proposals were developed to address a number of concerns. Once these proposals were developed and agreed to by the Administration, estimates were made as to the cost of each program if the proposals were implemented. These form the basis of our fiscal year 1987 budget request.

PERCENTAGE OF STUDENTS RECEIVING FEDERAL STUDENT AID

Mr. Conte: How many students currently receive Federal student financial assistance, Doctor, and what percentage of the total student population is this?

Dr. Kimberling: We estimate that approximately 5,584,000 students received student financial assistance in fiscal year 1985. Data provided by the Center for Statistics indicates that 12,247,000 students are enrolled in traditional postsecondary institutions and 10,551,000 of these students are undergraduates. On that basis, we would estimate that approximately 53 percent of the undergraduates and 46 percent of all students enrolled in traditional postsecondary institutions are receiving Federal student aid.

PROPOSED REDUCTION IN STUDENT AID

Mr. Conte: Just to get a rough measure of the effect of your student aid proposals, if you take the proposed reduction in student aid of $1.25 billion, not even counting the GSL proposals, and divide that by the number of students receiving aid, you get an impact of approximately $220 per student. Can you follow that math?

Dr. Kimberling: The reduction in student aid from the 1985 appropriation would be approximately $1.35 billion, not counting Guaranteed Student Loans. There were 5,602,000 awards in 1985, but many students received awards from more than one student aid

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program. If these "duplicated awards" are taken into account approximately 3,344,000 students received Federal student aid, other than Guaranteed Student Loans.

A more appropriate method of measuring the impact of our proposals is to compare the aid available to students in 1985 compared to the President's 1987 budget. The reduction in student aid, including Guaranteed Student Loans, would be $476 million. Approximately 5,584,000 students received Federal aid in 1985, so the impact would be around $85 per student.

Mr. Conte: That $220 figure is obviously a very rough measure of the impact. As I try and discern what the impact would be with a little more precision, the first thing that leaps out from your figures is on page 39 of the Department's budget press release document, which indicates that the number of students aided would fall from 5.7 million under the fiscal year 1986 enacted appropriation, to 5.6 million after sequester, to 4.3 million under the fiscal year 1987 budget request. That's 1.4 million students who will have to find other means to make ends meet to pay for college. Do you have any idea what's going to happen to those 1.4 million students?

Dr. Kimberling: One of our major concerns has been that a number of middle- and upper-income families are receiving unnecessary assistance under the student financial aid programs. To address this concern, we have proposed a number of changes designed to assure that only those students who truly need aid will be eligible to receive it. Such changes include need analysis for all GSL recipients and a tighter definition of independent student. As a result, a large number of these students will be removed from eligibility.

A number of critics have charged that this will result in many of these students dropping out of college. We do not believe that this will happen. We fully expect that these students will be able to finance their education through their own and family resources and other available resources, including the PLUS program which does not contain any income restriction.

FEDERAL GRANT ASSISTANCE FOR STUDENTS ATTENDING PRIVATE COLLEGES

Mr. Conte: With regard to Pell Grants, at the Secretary's hearing, people were quick to indicate that the poorest of students would be protected and that no one from a family with an income below $13,900 would have their grants cut. Here I would simply note that the threshold of poverty for a family of four is currently $10,990, so it's clear that only the very lowest incomes are being protected. But what about poor students seeking to attend higher cost institutions, including most of the private colleges, where a $2,100 Pell Grant and even another $2,500 loan isn't going to do the trick?

Dr. Kimberling: Pell Grant and SEOG assistance could still provide up to 60 percent of the support required by needy students who opt to attend higher cost institutions. Students who choose such institutions may still obtain assistance through the Guaranteed

Student Loan Program, PLUS, or the new Income-Contingent Loan programs. Support is also available through the Work-Study program. In addition, many private higher cost institutions have their own scholarship programs.

While actual packaging of aid is done at institutions, a needy undergraduate (with no family contribution) attending a $12,000 cost institution might receive the following Federal student aid:

Pell Grant	$2,100
Consolidated Grant	2,000
Work-Study	600
Income Contingent Loan	3,500
Guaranteed Student Loan	2,500
PLUS loan, unsubsidized work, scholarship, etc.	1,300
Total	$12,000

Mr. Conte: It's here that supplemental aid programs, like the SEOG, become important, and it's here that the budget proposes to cut funding by 60 percent from the funding currently available under the SEOG and Work-Study programs. Isn't this just another example of what seems to be the policy underlying much of the student aid proposals which is that lower-income kids can go to lower-cost colleges, while more fortunate kids can chose their college based on whether the institution provides the kind of education they are looking for?

Dr. Kimberling: Our budget proposes to limit the amount of total Federal grant assistance a student can receive to 60 percent of the cost of education. In designing a financial aid package for a needy student, the financial aid administrator can still provide substantially higher SEOG awards to needy students, provided that the 60 percent limitation is not exceeded. It is true that the overall funding between the combined total of SEOG and Work-Study is being proposed for a reduction. However, loans will still be readily available. The revitalization of the economy over the past five years has also provided greater job opportunities. Needy students desiring to attend higher cost institutions will still be able to attend, but will have to provide a greater degree of self-help through additional loan assistance and personal earnings.

AVAILABILITY OF LOANS FOR STUDENTS WITH REDUCED GRANT AWARDS

Mr. Conte: When you turn from the kids from the lowest-income families to those from more middle-income families, it is here that you start seeing the big losses from Pell Grant kick in, with cuts of as high as $800 in 1986 alone. Originally, at the Secretary's hearing, the indication was that those kids could get more money from Guaranteed Student Loans to make up for this loss. But then we pointed out the Department's own data, which is that the average size of GSL loans is $2,374, compared with a loan limit of $2,500, it's clear that GSLs cannot be used in most cases to make up for big Pell Grant cuts. What's going to happen to these students?

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Dr. Kimberling: Increased borrowing will still be possible through both the newly proposed Income-Contingent Loan Program, and an expanded PLUS Loan program. These sources, plus earnings a student may have from summer employment should be sufficient to replace any loss of grant funds to these middle income students.

$800 SELF-HELP PROPOSAL

Mr. Conte: Throughout your proposals, when talking about student contributions to the cost of their education, you seem to indicate that students are not contributing enough to their own education, and you seem to say that imposing an $800 self-help contribution will change that. Yet, whenever I ask college kids how many of them are working and helping to pay for their college education, if there are 100 of them in the room, 99 of them will raise their hands to say that they are already working to help pay for their education. Last year, you indicated that students are currently contributing approximately 16.6 percent of their college costs through their own work. How many students, would you say, are not already contributing at least $800 of their own resources toward the cost of their college education?

Dr. Kimberling: We believe over two-thirds of student aid recipients contribute at least $800 toward their cost of education. It is also a common practice of student financial aid administrators to include at least $800 in expected earnings when calculating the amount of assistance which will be provided. Our proposal seeks to reflect what already is occurring at our institutions and to ensure that there is equitable treatment of all students in the distribution of financial assistance.

PROPOSED INCREASE IN THE EXPECTED FAMILY CONTRIBUTION

Mr. Conte: Similarly, with families. Your proposals indicate a need to increase family contributions toward the cost of education. Yet last year, you indicated that families are already contributing approximately 50 percent of the cost of education. Are there any income levels currently eligible for student aid where you feel that parents are not already strapped by the cost of education?

Dr. Kimberling: Our proposals, as indicated previously, would primarily tend to realign the distribution of grant aid, limiting it to students from families with greater financial need. Students from higher income families would still be eligible to apply for loan assistance. The question of whether parents are "strapped by the cost of education" relates to the concept of need analysis. In determining the amount of support which should be available from a family, a need analysis system only considers a percentage of the discretionary income available for a family. This is the income over and above the amount necessary to support a family and is based upon information from the Bureau of Labor Statistics. The Department's proposal restores the discretionary income assessment rates that were used before the Middle Income Assistance Act. The principle we adhere to in the distribution of Federal financial assistance for a student's postsecondary education expenses is that the first source of support should be from available family resources. At times, this requires a family to forego activities

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or purchases which were previously financed out of discretionary income. We believe that if a family is interested in applying for Federal student aid, the children's education expenses should take priority over other discretionary alternatives.

Mr. Conte: As I look at college education, from my perspective of talking on a one on one basis with students and parents and educators is not that there is too much student assistance out there. In fact as college costs continue to escalate at a rate higher than inflation, while increases in student aid are so very tough to come by, it seems that the pincers of the cost of education are already squeezing tighter and tighter. It seems that the real problem is not students or parents, but institutions that have not gotten their costs under control. Aside from areas of abuse, which I would like to talk about, do you really think that there is excess Federal student financial assistance floating around out there?

Dr. Kimberling: It's not a question of the amount of Federal student aid that is available, but the distribution and the percentage available as outright grant support. Overall, our proposals would continue to provide students with demonstrated financial need with the funds needed to gain access to higher education. Grant assistance, however, would be directed to those from the lower income families, with higher income students being required to look to loans and work to replace any lost grant aid.

ALTERNATIVES TO LINEAR REDUCTION

Mr. Conte: Is there a more equitable way to make up for the shortfall than by the linear reduction process?

Dr. Kimberling: Since Pell Grant awards are based on financial need the most equitable approach would be to provide more protection to low income families since they have the highest need. Therefore, the Department has proposed a linear reduction formula, as provided in the authorizing statute. An alternative to linear reduction, which has been used in the past, would be to apply an across-the-board reduction to each student's award amount. This would require appropriations language overriding the provisions in the authorizing statute. An across-the-board reduction of $126 per award would result in a savings of approximately $368 million.

SHORTFALL IN FUNDING FOR PELL GRANTS

Mr. Pursell: Given the impact of the shortfall in the current level of Pell Grant funding on students nationwide who now receive Pell Grant funding (according to your budget documents, 290,000 students being cut out of the program and another 500,000 students received reduced awards) and the impact of that shortfall on many, many students whose family incomes are below $20,000 per year, as well as students whose family incomes are in the $20,000 to $30,000 per year range, do you think that the program should be reduced this much for the coming school year?

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Dr. Kimberling: The reduction in Pell Grant awards during the 1986-87 award period is necessary to cover the projected shortfall of approximately $368 million. This shortfall is comprised of a reduction of approximately $154 million as required by the Gramm-Rudman-Hollings legislation and $214 million to cover the difference between the amount appropriated and the projected cost of a fully funded program.

The Pell Grant program already has a historical shortfall of $490 million. Together, the total shortfall in the Pell Grant program is approximately $858 million. Thus, the Department's strategy of retiring the historical shortfall of $490 million over the next two fiscal years while reducing awards in the 1986-87 award period to cover the remaining $368 million seems prudent considering the current Federal deficit.

DEPARTMENT OF EDUCATION

Student Financial Assistance

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STUDENT FINANCIAL ASSISTANCE

For carrying out [subparts 1, 2, and 3 of part A, and] section 465 of part[s C and] E of title IV of the Higher Education Act, as amended, [$4,887,000,000] $25,000,000 which shall remain available until September 30, [1987, of which $412,500,000 shall be available for carrying out subpart 2 of part A of title IV of the Higher Education Act: Provided, That amounts appropriated for Pell Grants shall be available first to meet any insufficiencies in entitlements resulting from the payment schedule for Pell Grants published by the Secretary of Education for the 1985-86 academic year:[1] Provided further, That pursuant to section 411(b)(4)(A) of the Higher Education Act, amounts appropriated herein for Pell Grants which exceed the amounts required to meet the payment schedule published for any fiscal year by 15 per centum or less shall be carried forward and merged with amounts appropriated for the next fiscal year:[2] Provided further, That notwithstanding sections 411(a)(2)(A)(i) and 411(b)(5) of the Higher Education Act, the maximum Pell Grant a student may receive in the 1986-87 academic year shall be $2,100:[3] Provided further, That the cost of attendance criteria used for calculating eligibility for and the amount of the Pell Grants for academic year 1986-87 shall be the same as the cost of attendance criteria used for academic year 1985-86:[4] Provided further, That notwithstanding section 413D(a), subsections (a) and (b) of section 462, and subsections (a), (b), (c), and (e) of section 442, of that Act, the Secretary shall apportion funds among the States so that each State's apportionment under the Supplemental Educational Opportunity Grant Program, the National Direct Student Loan Program, and the Work-Study Program bears the same ratio to the total amount appropriated under each program as that State's apportionment in fiscal year 1981 for each program bears to the total amount appropriated for fiscal year 1981 for each program:[5/] Provided further, That notwithstanding sections 413D(b)(1)(B)(ii) and section 446(a) of that Act, from each jurisdiction's allotment of funds under each program, the Secretary shall allocate sums to institutions in that jurisdiction that did not receive an allocation in fiscal year 1979 (award year 1979-80) under each program in a manner that will most effectively carry out the purposes of the Supplemental Educational Opportunity Grant Program and the Work-Study Program:[6/] Provided further, That notwithstanding section 413D(b)(1)(B)(ii)(II) of the Higher Education Act, the provision of clause (I) of section 413D(b)(1)(B)(ii) of such Act shall apply to the amount made available for Supplemental Educational Opportunity Grants under this heading.][7/] 1988. (Department of Education Appropriation Act, 1986; additional authorizing legislation to be proposed.)

[SEC. 129. Notwithstanding any other provisions of this joint resolution or any other provision of law, any student residing in an area designated as a natural disaster area pursuant to a provision of Federal law may apply or reapply for a Pell Grant under subpart 1 of part A of title IV of the Higher Education Act of 1965 and be eligible for and receive a Pell award based on income earned in calendar year 1985 instead of 1984 if individuals whose incomes are taken into account in determining the student's eligibility for any amount of a Pell Grant have been unable to pursue normal income-producing activities in 1985 as a result of the natural disaster.][8/] (Public Law 99-190, making continuing appropriations for the fiscal year 1986.)

Student Financial Assistance

Explanation of Language Changes

1/ Pell Grant funds are appropriated on the basis of estimated costs. If 1985 costs are underestimated, this provision allows the use of 1986 Pell Grant funds for payments.

2/ The 15 percent carryover of Pell Grant funds establishes a limitation on funds to be carried over into the next year. This provision will be addressed under proposed legislation to reauthorize the Higher Education Act.

3/ A $2,100 ceiling on the Pell Grant establishes the maximum Pell Grant award.

4/ The provision to retain the same criteria to determine a student's cost of attendance as those used in the previous year preserves the distribution of Pell Grant funds across institutions. The cost calculation for purposes of eligibility for student aid will be addressed under proposed legislation to reauthorize the Higher Education Act.

5/ This language distributes campus-based program funds among States proportionate to the 1981 State distribution and ensures a distribution similar to earlier years. A statutory provision distributing campus-based funds among States will be included in proposed legislation to reauthorize the Higher Education Act.

6/ The provision ensures that institutions new to the campus-based aid programs since 1981 will not lose eligibility for funds. This situation will be addressed in the proposed legislation to reauthorize the Higher Education Act.

7/ This provision provides that institutions under the Supplemental Educational Opportunity Grant program receive no less than they received in 1979. A hold-harmless institutional funding provision will not be included under proposed legislation to reauthorize the Higher Education Act.

8/ This provision provides special considerations for a one-time natural disaster which occurred in 1985.

Student Financial Assistance

Language Analysis

Language Provision	Explanation
...[...Provided, That amounts appropriated for Pell Grants shall be available first to meet any insufficiencies in entitlements resulting from the payment schedule for Pell Grants published by the Secretary of Education for the 1985-86 academic year:	This language provides that if funds appropriated in the previous year are insufficient to pay student awards, funds from this appropriation may be drawn down to satisfy these costs. This provision will not be included in proposed legislation to reauthorize the Higher Education Act except as necessary to allow elimination of any shortfalls from 1985 or prior years.
...[...Provided further, That notwithstanding sections 411(a)(2)(A)(i) and 411(b)(5) of the Higher Education Act, the maximum Pell Grant a student may receive in the 1986-87 academic year year shall be $2,100:	This language limits the maximum Pell Grant to $2,100 in the 1986-87 academic year. Proposed legislation to reauthorize the Higher Education Act will authorize a $2,100 maximum grant in academic year 1987-88.
...[...Provided further, That the cost of attendance criteria used for calculating eligibility for and the amount of the Pell Grants for academic year 1986-87 shall be the same as the cost of attendance criteria used for academic year 1985-86.	This language provides that cost of attendance criteria used will be the same as the previous year. The reauthorization of the Higher Education Act will include a standard allowance for all costs above tuition and fees dependent upon the student's living arrangements.

Student Financial Assistance

Language Analysis - Continued

Language Provision	Explanation
...[...Provided further, That notwithstanding section 413D(a), subsections (a) and (b) of section 462, and subsections (a), (b), (c), and (e) of section 442, of that Act, the Secretary shall apportion funds among the States so that each State's apportionment under the Supplemental Educational Opportunity Grant Program, the National Direct Student Loan Program, and the Work-Study Program bears the same ratio to the total amount appropriated under each program as that State's apportionment in fiscal year 1981 for each program bears to the total amount appropriated for fiscal year 1981 for each program:	This provision provides for the same proportionate distribution of funds among States under the Work-Study, Supplemental Educational Opportunity Grant, and Direct Loan Programs as in FY 1981. Proposed legislation to reauthorize the Higher Education Act will propose a new and simplified State allocation formula.
...[...Provided further, That notwithstanding sections 413D(b)(1)(B)(ii) and section 446(a) of that Act, from each jurisdiction's allotment of funds under each program, the Secretary shall allocate sums to institutions in that jurisdiction that did not receive an allocation in fiscal year 1979 (award year 1979-80) under each program in a manner that will most effectively carry out the purposes of the Supplemental Educational Opportunity Grant Program and the Work-Study Program:	This provision accommodates the funding of institutions new to the campus-based program since 1981. Proposed legislation to reauthorize the Higher Education Act will provide for the funding of new institutions under the proposed Campus-Based Aid program and the Direct Loan program.

Student Financial Assistance

Language Analysis - Continued

Language Provision	Explanation
...[...Provided further, That notwithstanding section 413D(b)(1)(B)(ii)(II) of the Higher Education Act, the provision of clause (I) of section 413D(b)(1)(B)(ii) of such Act shall apply to the amount made available for Supplemental Educational Opportunity Grants under this heading.]	This provision establishes a minimum institutional allocation under the Supplemental Grant program. Proposed legislation reauthorizing the Higher Education Act does not include authorization for a separate appropriation for Supplemental grants.
...[...SEC. 129. Notwithstanding any other provisions of this joint resolution or any other provision of law, any student residing in an area designated as a natural disaster area pursuant to a provision of Federal law may apply or reapply for a Pell Grant under subpart 1 of Part A of title IV of the Higher Education Act of 1965 and be eligible for and receive a Pell award based on income earned in calendar year 1985 instead of 1984 if individuals whose incomes are taken into account in determining a student's eligibility for any amount of a Pell Grant have been unable to pursue normal income-producing activities in 1985 as a result of the natural disaster.]	This provision allows students to reapply for Pell Grants with recalculation of their expected family contributions even though current regulations require that the disaster affect income over a 10 week period in the calendar year. Since some disasters occurred in 1985 only 8 weeks from the end of the year, students in those areas may also reapply for Pell Grants and receive consideration as if the income affected were for a 10 week period. This provision will not be included under proposed legislation to reauthorize the Higher Education Act.

Student Financial Assistance

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual..................	$4,871,000,000	$4,887,000,000	$3,812,568,000[1]
Enacted supplemental....	289,482,000	—	—
Sequester order.........	—	-210,141,000	—
Proposed rescission.....	—	-456,347,000	—
Subtotal, adjusted appropriation.......	5,160,482,000	4,220,512,000	3,812,568,000
Receipts and reimbursements from:			
Non-Federal sources: Offsetting collections	—	—	52,432,000
Recovery of prior year obligations..............	40,984,000	—	—
Unobligated balance, start of year............	801,420,000	1,625,130,000	1,435,200,000
Comparative transfer of unobligated balance to:			
Salaries and Expenses for administrative expenses associated with Direct Loans.....	—	-108,000	—
Unobligated balance, end of year..............	-1,625,130,000	-1,435,200,000	-1,200,000,000
Total obligations.......	4,377,757,000[2][3]	4,410,334,000	4,100,200,000

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[1] Includes $3,787,568,000 requested pending submission of proposed legislation.

[2] Excludes reimbursable amounts of $4,518,000 in 1985.

[3] The total obligations at the end of fiscal year 1985 include $1,072,000 contingently obligated under court order.

Student Financial Assistance

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. Pell grants:				
Current program..........	$3,588,000,000	$3,433,716,000	$3,433,716,000	$3,000,000,000
Prior year costs.........	---	---	---	250,000,000
2. Campus-Based Aid:				
(a) Campus-based Aid: Work-Study/Grants.....	---	---	---	400,000,000
(b) Supplemental opportunity grants....	412,500,000	394,762,000	257,500,000	---
(c) Work-study............	592,500,000	567,023,000	502,500,000	---
3. Direct loans:				
(a) Federal capital contribution/income contingent loans....	190,000,000	181,830,000	---	137,568,000
(b) Loan cancellation....	28,000,000	26,796,000	26,796,000	25,000,000
4. State student incentive grants..................	76,000,000	72,732,000	---	---
Total..................	4,887,000,000	4,676,859,000	4,220,512,000	3,812,568,000

2b. Reflects a proposed rescission of $137,262,000 for Supplemental Opportunity Grants.
2c. Reflects a proposed rescission of $64,523,000 for Work-Study.
3a. Reflects a proposed rescission of $181,830,000 for Federal capital contributions.
4. Reflects a proposed rescission of $72,732,000 for State Student Incentive Grants.

Student Financial Assistance

Budget Authority by Object

	1985	1986 [1]	1987
Investments and loans....	$190,000,000	—	$137,568,000
Grants, subsidies and contributions............	4,970,482,000	$4,220,512,000	3,675,000,000
Total budget authority by object...............	5,160,482,000	4,220,512,000 [1]	3,812,568,000

[1] Reflects a reduction of $210,141,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177, and a proposed rescission of $456,347,000.

Student Financial Assistance

Summary of Changes

1986 Estimate..	$4,887,000,000
1986 Sequester order..................................	-210,141,000
1986 Proposed rescission..............................	-456,347,000
Total estimated budget authority	4,220,512,000
1987 Request..	3,812,568,000
Net change..........................	-407,944,000

	1986 Base 1/	Change from Base
Increases:		
Program:		
1. A new work/grant program--to provide campus-administered grants and work opportunities for needy students under a consolidated, easily administered authorization.......	—	+$400,000,000
2. A restructured and reformed Direct Loan program--to reduce loan subsidies and provide for student payments based on ability to repay........	—	+137,568,000
Subtotal................		+537,568,000
Decreases:		
Built-in:		
1. Direct loans (Loan cancellations)--reduce payments as a result of estimate................	26,796,000	-1,796,000

Student Financial Assistance

Summary of Changes - Continued

	1986 base[1]	Change from Base
Decreases:		
Program:		
1. Pell grants--reduce payments to students by incorporating a self-help expectation and increased family contribution within the award rules, by limiting the cost of attendance, by not including the student in the family size offset, by tightening the rules for eligibility as independent students, by requiring a high school degree or equivalent, and by other program improvements......................	$3,433,716,000	-$183,716,000
2. Supplemental opportunity grants--cease direct funding for a separate school administered grant program........	257,500,000[2]	-257,500,000
3. Work-study--cease direct funding for a separate work-study program...............	502,500,000[3]	-502,500,000
Subtotal...............		-945,512,000
Net change.............		-407,944,000

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[1] Reflects a reduction of $210,141,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177 and a rescission request of $456,347,000.

[2] Reflects a proposed rescission of $137,262,000 for Supplemental Opportunity Grants.

[3] Reflects a proposed rescission of $64,523,000 for Work-Study.

Student Financial Assistance

Authorizing Legislation

Activity	Legislative Citation	1986 1/ Authorized	1987 2/ Authorized
1. Pell grants	HEA, Title IV-A-1	Indefinite	To be determined
2. Institutional payments (Pell grants)	HEA, Title IV-F	Indefinite ($13,340,000) 3/	---
3. Campus-Based Aid: Work/Grants	Proposed legislation	---	To be determined
4. Supplemental opportunity grants	HEA, Title IV-A-2	350,000,000/ Indefinite 4/	--- ---
5. Work study	HEA, Title IV-C	830,000,000	---
6. Direct loans	HEA, Title IV-E		
a. Federal capital contribution/ income contingent loans		625,000,000	To be determined
b. Loan cancellations		Indefinite	Indefinite
7. State student incentive grants	HEA, Title IV-A-3	250,000,000	---
8. Institutional payments (Campus-based programs)	HEA, Title IV-F Section 489	Indefinite (30,400,000) 5/	---
Unfunded authorizations:			
Training in financial aid and student support services.......	HEA, Title IV Section 486	1,000,000	---
Total definite authorization........		2,056,000,000	---

1/ A one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

2/ Legislation to be proposed.

3/ Payments to institutions, based on a $5 per recipient calculation, pay for a share of the cost administering Federal student aid programs. This amount is reserved from the Pell Grant appropriation.

4/ A definite authorization is provided for initial awards only. Continuing awards have indefinite authority.

5/ Institutions are authorized to use up to 5 percent of the first $2,750,000 of expenditures for the three campus-based student aid programs (Supplemental Grants, Work-Study and Direct Loans) for administrative expenses; in excess of this amount but less than $5,500,000, up to 4 percent; above $5,500,000, 3 percent.

Student Financial Assistance

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation [1/]
1978	$3,005,253,000	$3,360,503,000	$3,157,303,000	$3,234,503,000
1979	4,381,843,000	4,639,350,000	3,486,350,000	3,727,350,000
1980	3,645,650,000	3,741,550,000	2,917,550,000	3,454,878,000
1981	3,305,550,000	3,356,550,000	3,747,550,000	3,801,550,000
1982	3,793,750,000	3,833,750,000	3,414,800,000	3,569,480,000
1983	1,800,000,000	3,569,480,000	3,567,800,000	3,617,800,000
1984	3,567,800,000	3,813,360,000	3,954,360,000	3,986,860,000
1985	3,654,000,000	5,079,000,000	4,491,000,000	4,871,000,000
1985 Supplemental	---	287,000,000	2,482,000	289,482,000
1986	3,569,000,000	4,910,482,000	4,837,000,000	4,887,000,000
1986 Sequester	-210,141,000			
1986 Proposed Rescission	-456,347,000			
1987	3,812,568,000			

[1/] Reflects enacted supplementals, rescissions and reappropriations.

Student Financial Assistance

Significant Items in Congressional Appropriations Reports

Item	Action taken or to be taken
1986 House Report	
Pell Grant Shortfall	
The Committee urges the Director of the Office of Management and Budget to submit a budget estimate to cover Federal obligations incurred by this program in prior years.	The FY 1987 budget request includes $250 million to cover Pell Grant prior year costs. It is the intent of this Administration, as stated in the FY 1987 budget to include an additional $240 million request as part of the FY 1988 Pell Grant budget. This total of $490 million would repay all amounts borrowed to cover prior year costs.

Student Financial Assistance

Account Summary

	1985	1986	1987
1. Pell grants:			
a. Program costs........	$3,612,000,000	$3,433,716,000	$3,000,000,000
b. Prior year costs.....	250,000,000	---	250,000,000
2. Campus-based aid: Work-Study/grants.......	---	---	400,000,000
3. Supplemental oppportunity grants..................	412,500,000	257,500,000	---
4. Work-study...............	592,500,000	502,500,000	---
5. Direct loans:			
a. Federal capital contribution/income contingent loans....	192,482,000	---	137,568,000
b. Loan cancellations...	25,000,000	26,796,000	25,000,000
6. State student incentive grants..................	76,000,000	---	---
Total, budget authority............	5,160,482,000	4,220,512,000 1/	3,812,568,000 2/

1/ Reflects a reduction of $210,141,000 as required by the Balanced Budget and Emergency Control Act of 1985, P.L. 99-177 and a rescission request of $456,347,000.

2/ With the exception of funds for Loan cancellations, request is pending submission of proposed legislation.

Over the last 25 years, the postsecondary student financial assistance programs now administered by the Education Department have grown dramatically in number, scope, complexity, in Federal appropriations in their support, and in the share of individual postsecondary costs which they can cover. The current student aid programs administered by the Department are poorly focused, overly complex and unnecessarily costly to the taxpayer.

Student Financial Assistance

Account Summary -- Continued

Until the last decade or so, parents and students themselves largely shouldered the responsibility of meeting postsecondary education costs, in partnership with major State and private contributions (largely via institutional support). Aside from the veterans' "GI bill" assistance following World War II, the Federal Government played a minimal role in meeting postsecondary student costs before the Higher Education Act of 1965 drew together a set of small-scale, limited, "campus-based" student aid programs (Work-Study, National Direct Student Loans, and Educational Opportunity Grants) aimed at promoting access to postsecondary education on the part of students who might otherwise be denied such opportunities due to family financial circumstances. The Guaranteed Student Loan (GSL) program, also created by the 1965 legislation and based on private lender capital, initially contained very little subsidy beyond a partial Federal guarantee against default and was limited by a $15,000 family income cap. Federal appropriations for these programs totalled $202.5 million in 1965 and reached $512.5 million by 1970, with Federal programs representing only about 40 percent of all student financial aid.

During the 1970s, appropriations for these programs almost tripled at a time of modest college enrollment and cost increases. By 1978, the Federal share of student aid had reached 80 percent, and the annual appropriation had climbed to $3.7 billion. In that year, the Congress enacted a major expansion in aid eligibility which resulted in subsequent dramatic appropriation growth. The Middle Income Student Assistance Act (MISAA) removed all income limitations in the GSL program (by that time highly interest-subsidized), and cut in half the family contribution levels expected under the five-year old Basic Grant (now Pell Grant) program. Meanwhile, "postsecondary" aid eligibility was expanded to encompass not just full-time college students, but also non-degree seeking students, vocational/proprietary school students, students studying part-time, and even non-high school graduates who are deemed to have "ability to benefit from the training offered". By the early 1980's, Federal appropriations for these programs had almost doubled again (reaching $6.7 billion in 1983); the number of students claiming "independence" of parental support was increasing dramatically; and findings of student aid abuse by the General Accounting Office and other investigators were continual.

Some student aid abuses and excesses have been reduced during the last four years, and appropriations growth has been slowed. Nevertheless, these programs remain unduly open-ended and subject to abuse. Instead of supplementing parent, student, State and private efforts, the current combination of Federal programs tends to displace and discourage these traditional sources of support. Under current program rules, a freshman can receive about $13,000 per year in highly subsidized financial assistance from Education Department programs--far more than is needed to meet tuition, room and board, books and supply corts at the average public or private four-year college. As Basic (now Pell) Grants have become available to students from higher income families, "campus-based" Federal aid has been directed toward increasingly higher income students and non-Federal sources of student aid have, in turn, been "freed-up" for even higher income students.

Student Financial Assistance

Account Summary -- Continued

The fiscal year 1987 budget request restores the proper Federal role in the financing of postsecondary education. Federal student aid policies would: restore the traditional emphasis on student and parent responsibility for financing college costs; reduce opportunities for fraud and abuse; expand the opportunities of the neediest students by maintaining Federal support for campus-based work and grant activities and by providing a loan program with repayments related to income after leaving school; and re-establish the principle of cost sharing with participating institutions. These objectives would be achieved through the proposals described below. The first four proposals would apply to all Federal student aid programs and are discussed in more detail under the 1987 budget proposal for the Pell Grant program. Specifically,

- o A single, simplified and more verifiable family need analysis system would apply to all Department student aid programs (except for the proposed non-subsidized PLUS loans). The current multiple and complex need analysis systems would be simplified into one method of determining Federal aid eligibility and a standardized cost-of-education (for all expenses other than tuition and fees) would be applied to all programs.

- o An increase in assessment rates on parental income from the current assessment rates of 11/13/18/25 percent on $5,000 increments of discretionary income to 20/30/40 percent on $5,000 increments would yield higher expected contribution levels for middle and upper income families than under current methods.

- o Any student who is under 23 years of age would be considered dependent on his/her parents unless he/she is an orphan or ward of the court or can demonstrate self-sufficiency for the two years prior to the year of application. The current three-question criteria, involving living status, acceptance of parental assistance and dependency status on parental tax returns, would also be applied (regardless of student age) to the award year and the two years prior to the award year. Any student under 30 who claims to be independent would have to submit parental tax forms for these two prior years.

- o A high school diploma or its equivalent would be required for receipt of any Department student aid. Subjective determination of "ability to benefit" would no longer be sufficient to establish eligibility. This would eliminate abuses which have been documented by the General Accounting Office.

- o A minimum student self-help expectation of $800 would be required for eligibility under the Department's student grant programs, based on the principle that all students should contribute to educational costs. Grants would also be limited to 60 percent of allowable costs of education, minus the expected family contribution (if any). Federally supported Work-Study employment and student loans could be used to meet the self-help expectation.

Student Financial Assistance

Account Summary -- Continued

- The 1987 proposed policy would include consolidation of the Supplemental Educational Opportunity Grant program with the Work-Study program to improve the efficiency and integrity of campus-based student aid delivery, promote student employment as an important self-help activity and emphasize institutional cost-sharing. Institutional matching rules would require the participating educational institutions to assume increasing shares of total Work/Grant costs: 20 percent in FY 1987, 30 percent in FY 1988, 40 percent in FY 1989, and 50 percent in later years. As indirect beneficiaries of Federal student aid, schools would bear the administrative support of Title IV programs without reimbursement. Current institutional administrative allowances would also be eliminated.

- The Direct Student Loan program would be restructured in order to facilitate borrower repayment, reduce Federal subsidization, and improve the range of institutional choice available to needy students. Substantially increased loan limits would be available to needy graduate and undergraduate students. Interest would accrue at the prevailing 91-day Treasury bill rate plus 3 percent; interest would be automatically added to the principal obligation (rather than paid as it accrues) during in-school, grace, and deferment periods. For schools which choose to participate, repayment would be on a progressive schedule related to cumulative Direct Loan debt and borrower income.

The Department's proposals would protect funds for the neediest students and will call for major reforms in the Higher Education Act. These reforms would allow limited funds to be used more efficiently and effectively.

Student Financial Assistance

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1. Pell grants
   (Proposed legislation)

1987 Authorization: To be determined

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$3,588,000,000	$3,433,716,000	$3,433,716,000	$3,250,000,000 1/	-$183,716,000

1/ Of this $3.25 billion, $250 million is earmarked to cover prior year costs. Request pending submission of proposed legislation.

Purpose and Method of Operation

The Pell Grant program is designed to provide need-based grants to undergraduates to lower the net burden of financing postsecondary education and to promote access to postsecondary education for low income students.

As required by the authorizing statute, the Secretary annually submits to Congress for approval a schedule which provides the formula for determining a student's "Expected Family Contribution (EFC)." The Student Loan Consolidation and Technical Amendments Act of 1983 requires the Secretary to use, with certain specified modifications, the same formula that was used in 1983-84. This national need-analysis formula is applied uniformly to all applicants by a central processor and determines financial eligibility for Pell Grants. The fundamental elements in this need-analysis formula are the parent's and/or the student's income and assets, the family's household size and the number of family members attending postsecondary institutions. The EFC is determined as the sum of the percentage assessments of income after an allowance for basic family expenses and of the remaining net assets after an asset protection allowance. Separate formulas are used for dependent and independent students.

Upon notification of eligibility, students may use their grants at any one of approximately 8,000 eligible postsecondary institutions. Students must be undergraduates and enrolled at least half-time with the purpose of obtaining a degree or certificate at an eligible institution. Students must also be enrolled in an academic program that admits, as degree-seeking students, persons who have a high school diploma (or its equivalent) or a demonstrated "ability to benefit" from the training offered by the institution.

Purpose and Method of Operation -- Continued

Pell Grants may be disbursed to the student through the institution or directly from the Federal Government, through the "alternate disbursement system." The annual award amount may vary from a minimum of $200 up to a maximum of $2,100. The amount of the award is the lesser of (1) the maximum award minus the EFC, (2) the cost of attendance minus the EFC, and (3) 60 percent of the cost of attendance. The cost of attendance, determined at the institution, includes actual or average tuition and fee charges, actual or average room and board charges or a standard "living allowance," and a books/miscellaneous allowance.

Accomplishments

The Pell Grant program, formerly known as the Basic Educational Opportunity Grant program, was enacted as part of the 1972 Education Amendments to provide direct need-based, voucher-like grants to students to be used at any eligible institution selected by the student.

In 1973, only freshmen were eligible for grants, and at a cost of $122 million, 185,000 awards averaging $269 were made. In each subsequent year, eligibility was extended to an additional academic class. In 1976 when all undergraduate students were eligible, the maximum grant was $1,400 and approximately $1.5 billion was distributed to almost 2 million students. The Middle Income Student Assistance Act of 1978 liberalized the Pell Grant program, resulting in appropriations increases which, for the most part, supported relatively small awards to "middle income" students. In 1985, the maximum grant awarded increased to $2,100 benefiting approximately 3 million students.

The following table illustrates the growth of this program.

Pell Grants

	1976-77	1978-79	1981-82	1982-83	1983-84	1984-85 (est
Applicants	3,590,379	3,885,383	4,945,760	5,118,558	5,453,548	5,302,000
Recipients	1,944,000	1,913,000	2,709,000	2,523,000	2,759,000	2,814,000
Expenditures ($ in 000's)	$1,475,444	$1,540,200	$2,299,718	$2,420,517	$2,797,057	$3,052,538
Average Grant	$759	$805	$849	$959	$1,014	$1,080
Maximum Grant	$1,400	$1,600	$1,670	$1,800	$1,800	$1,900

The accuracy of award determinations and disbursements in the Pell Grant program has been evaluated by three quality control studies. These studies have demonstrated the existence of a significant number of awards given out in error—the most recent indicating 19 percent in overawards and 6 percent in underawards, yielding a 13 percent net error rate. Of the overaward error, 11 percent is due to errors made by students in applying for aid. In response to the findings of these studies, a more rigorous application validation by institutions has been implemented, along with a redesigned

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Accomplishments — Continued

application form to reduce the application errors. To reduce the error at the institutional level two pilot projects—one studying the electronic transfer of data and the other studying institutional quality control procedures—have been implemented.

1986 Appropriation

The Department is proposing to maintain FY 1986 Pell Grant funding at the postsequestration level of $3.434 billion. The Department also proposes to maintain the $2,100 maximum award up to 60 percent of educational costs policy enacted by the Congress in the 1986 appropriations act. However, because full funding of this award policy under current law is estimated to cost about $3.8 billion, the Department plans to implement the "linear" award reduction provisions of the Higher Education Act for award year 1986-87 (the 12-month period beginning July 1, 1986) in order to achieve the needed savings of approximately $368 million. Under this statutory award reduction procedure, the awards of the neediest students would be fully protected, and other awards would be reduced. The number of awards would be reduced from approximately 2.958 to 2.668 million.

The cumulative Pell Grant deficit related to funding shortfalls over the last four years now totals approximately $490 million. The 1986-87 award reduction procedure discussed above will be based solely on the projected 1986 funding shortfall—leaving a continuing unfunded deficit of about $490 million. The Department's FY 1987 budget request for Pell Grants includes $250 million which would be earmarked to cover about half of the cumulative deficit. The remaining shortfall would be funded under the FY 1988 request.

1987 Budget Proposal

In fiscal year 1987, $3.25 billion is requested for the Pell Grant program. From this amount, $250 million will be used to cover the costs of this program in fiscal year 1985. The remaining $3 billion is a decrease of $434 million from the 1986 appropriation after sequestering. The Department's proposals to restore family responsibility for financing education and to eliminate program abuse and inequities that currently exist in the program, will reduce program costs to a funding level of $3 billion.

Restore Family Responsibility for Financing Education:

If expected family contributions were restored to levels of earlier years, available Federal funds could go further in improving the postsecondary education opportunities of the neediest students by distributing a higher percentage of those funds to lower income students. The single need analysis system proposed for the Pell Grant program as well as the consolidated Campus-Based Aid and Income Contingent Loan programs would help restore the traditional role of the student and the student's family in meeting postsecondary education costs by (1) increasing assessment rates for parental income and the income of independent students, (2) establishing a minimum student contribution, and (3) limiting the amount of student grant aid that a student can receive.

1987 Budget Proposal -- Continued

- The parents of a dependent student would be expected to contribute a larger portion of their discretionary income to finance educational costs--20 percent of the first $5,000, 30 and 40 percent in subsequent $5,000 increments instead of the current rates of 11/13/18/25 percent. In 1985, typical families of dependent students with incomes of $15,000, $20,000 and $25,000 were expected to contribute approximately $320, $930, and $1,590 to meet their students' educational costs. Under the increased assessment rates, those families' contributions would be $190, $1,050, and $2,280. (The typical family of a dependent student is a family of four with two wage earners, no contribution from assets, and one member in a postsecondary institution.) These higher assessment rates would be used in a single need analysis system that would apply to all Federal student aid programs.

- The independent student would also be expected to contribute a higher percentage of his or her discretionary income--90 percent for unmarried students with no dependents and 70 percent for married students and students with dependents instead of 75 percent and 25 percent respectively. These increased rates would apply to all Federal student aid programs and would reinforce the traditional philosophy in student financial assistance that an independent student should contribute a substantial portion of his or her discretionary income for educational costs. Although the rate of assessing discretionary income would be higher, a more realistic appraisal of actual family living expenses would lower discretionary income levels subject to assessment in many cases.

- To qualify for a Pell Grant, students would be expected to contribute $800 towards their own educational costs. Currently, Pell Grants are not explicitly contingent on any self-help contribution. It is now possible for certain students to finance their postsecondary education through a combination of a Pell Grant and family contribution with no personal financial commitment. Requiring a student contribution would re-establish the principle that those who are the primary beneficiaries of higher education should show some commitment toward financing its costs. This self-help contribution would be required in addition to the family's contribution and could be met with Federal aid under the Work-Study or loan programs.

- The sum of the Pell Grant and grant aid awarded under the Campus-Based Aid program could not exceed 60 percent of the cost of education, less the expected family contribution. The remaining need could be financed through loans or income from work. A limit on the amount of Federal grant aid received would reinforce the policy that every student will have some financial commitment to financing his or her cost of education.

1987 Budget Proposal -- Continued

Eliminate Program Abuse and Program Inequities:

Due in part to administrative complexity (e.g., the large number of institutional intermediaries, complicated need analysis rules and reliance on data reported by students and schools) the current student aid delivery system provides substantial opportunity for error, fraud and general abuse of Federal funds. For example, because the current definition of independent student status relies on unverifiable statements about the student's financial relationship with his/her parents, many students who actually receive substantial family support successfully claim independent status and thus qualify for more Federal aid than they really need. A Department quality control study found approximately $64 million in 1982-83 Pell Grants to have been awarded in error due to students falsely claiming to be independent.

In addition to eliminating several areas of program abuse, the revised Pell Grant program would also eliminate an existing inequity in the award rules, as well as other inequities, such as of multiple need analysis systems, and different procedures for calculating the cost of education among the Federal student assistance programs.

- The definition of an independent student would be made more strict. The first step in assessing a student's need for Federal student aid is to determine whether the parents are providing for the student's support. Need for Federal aid is then calculated based primarily upon the parents' income for the dependent student and upon the student's own income for the independent student. Three questions are asked to determine whether the student has been supported by his or her parent. By merely answering "no" to unverifiable questions, such as whether the student lived with the parent for at least six weeks, a student may have the entire Federal aid package based upon his or her own income, without any consideration of the parents' contribution. This has led to a significant amount of program abuse because many students are falsely claiming to be independent.

  In order to eliminate this abuse, the independent student definition for all Federal student aid programs would be tightened by classifying all students who are less than 23 years of age (except orphans, wards of the court, and students who can demonstrate self-sufficiency) as dependent on their parents. All students would be required to answer the current questions regarding parental support for the award year and the two previous years.

- Unless they are 30 years of age or older, students who claim to be independent would be required to provide a copy of their parents' tax return to document non-support from the parents during each of the two previous years.

Student Financial Assistance

1. Pell grants

1987 Budget Proposal -- Continued

- o Another area of program abuse relates to admitting students to participate in the Pell Grant program who do not have a high school diploma or its equivalent, but meet the criteria of "demonstrated ability to benefit" from the education or training. A recent GAO study reported that an inordinately high percentage of the students admitted under this criteria in proprietary schools dropped out of school prior to completion of their training. The revised Pell Grant program and all other Federal student aid programs would require either a high school diploma or its equivalent in order to receive an award.

- o The General Accounting Office has documented a high incidence of "perpetual students" who continue to receive Pell Grant funds for a period that is well beyond the normal time frame for an undergraduate course of study. The Department's proposal would restore a four-year limit (five years under certain circumstances) on student eligibility for receiving a Pell Grant. This reasonable limit was eliminated from the law in 1980--creating the current situation in which students can receive Pell Grants virtually without end.

- o In order to make the delivery of Federal student aid more efficient and more equitable across the student population, a single, simplified need analysis is proposed. This need analysis would be used to determine need for all Federal student aid programs. The number of data elements would be reduced to include the taxed and untaxed income of the student, the student's spouse, and the parents of dependent students; Federal income taxes paid, assets, the household size, and the number of family members enrolled in postsecondary education. A simpler need analysis would improve the accuracy of self-reported data from the family and the student and permit easier verification of need by the institution. A single need analysis would make delivery of Federal student aid more equitable by ensuring that students applying for different Federal programs would receive assistance based on a consistent need analysis system.

- o The "living allowance" for room, board, books, supplies, transportation and miscellaneous expenses that is calculated at the institution as part of the cost of attendance would be standardized across all aid programs. A uniform allowance would limit on-campus living costs for the first time, and provide a more accurate assessment of actual costs for students living off-campus. The allowable cost of attendance for Federal student aid would be the sum of tuition and fees, plus a living allowance up to $3,400 for on-campus students, $2,000 for off-campus students living with their parents, and $3,100 for off-campus students who do not live with their parents.

Student Financial Assistance

1. Pell grants

1987 Budget Proposal -- Continued

- The rules which currently govern the calculation of the Pell Grant allow equal awards to students with differing financial resources attending low-cost institutions. Currently, the Pell Grant award is determined by the lesser of: the maximum award minus the expected family contribution (EFC), the cost of attendance minus EFC, and 60 percent of the cost of attendance. At low cost institutions, 60 percent of cost is the determinative rule for students with a wide range of expected family contributions, and under current law many of these students would receive the same awards. Under the Department's proposal, this rule would be modified to 60 percent of the cost of education minus EFC so that students from middle income families would not receive awards that are as high as the awards for low income students at low cost schools. The proposed award rules for the Pell Grant would be the lesser of the following:

  -- Maximum award minus EFC,
  -- Cost of education minus $800 (self-help expectation) minus EFC,
  -- 60 percent of cost of education minus EFC.

Cost Savings:

These proposals would save $764 million when compared to the 1985 cost under current law. The number of recipients in 1987 under these proposals is estimated to be 2.142 million, approximately 812,000 less than the number of recipients estimated for 1985 under current law. Current institutional administrative allowances would be eliminated. As beneficiaries of Federal student aid, schools should contribute to the administrative support of these programs without reimbursement.

The following table presents a comparison of funding levels for 1985 to 1987, including the effect of sequestration in 1986.

Student Financial Assistance

1. Pell grants

1987 Budget Proposal -- Continued

Funding Data: ($ in millions)	1985	1986 Approp.	1986 Available after Sequestering	1986 Revised Request	1987 Request
Appropriation	$3,862	$3,588	$3,434	$3,434	$3,250
Amount designated for prior year	-250 [1/]	---	---	---	-250
Net drawdown for prior year	-338	---	---	---	---
Total Funds Available	3,274	3,588	3,434	3,434	3,000
Fully Funded Estimate	3,764	3,802	3,802	3,802	3,000
Shortfall	490	---	--- [2/]	--- [2/]	---

[1/] The current estimate to fund fully the program in FY 1985 is $3.764 million. The resulting shortfall of $490 million would be recovered in 1987 and 1988, by requesting additional appropriations of $250 million and $240 million respectively.

[2/] The linear reduction rules within the statute will be implemented in FY 1986 to avoid a shortfall of $368 million, which is the difference between the program estimate of $3.802 billion and $3.434 billion.

Impact Data:

	1985	1986 Approp.	1986 Available after Sequestering	1986 Revised Request	1987 Request
Maximum grant	$2,100	$2,100	$2,100	$2,100	$2,100
Recipients (in thousands)	2,954	2,759 [1/]	2,668	2,668	2,142
Average grant	$1,269	$1,295	$1,282	$1,282	$1,400
Maximum income for grant eligibility for typical family	$28,400	$25,100	$23,900	$23,900	$23,400

[1/] Reflects linear reduction savings to meet appropriation. Recipients under fully funded program are 2,958 thousand.

Student Financial Assistance

1. Pell grants

Impact Data — Continued

Distribution of Pell Grants 1987-88

Income	Recipient Population	% of Total	Program Cost	% of Total	Average Award
$ 0- 4,000	621,180	29	$990,000,000	33	$1,594
$ 4,001- 7,500	471,240	22	690,000,000	23	1,464
$ 7,501-10,000	235,620	11	330,000,000	11	1,401
$10,001-12,000	149,940	7	240,000,000	8	1,601
$12,001-15,000	192,780	9	270,000,000	9	1,401
$15,001-20,000	257,040	12	270,000,000	9	1,050
$20,001-25,000	128,520	6	120,000,000	4	934
$25,001-30,000	64,260	3	60,000,000	2	934
$30,001 +	21,420	1	30,000,000	1	1,401
TOTAL	2,142,000	100	$3,000,000,000	100	1,401

Comparison of Pell Awards in FY 1986 by Cost of Attendance

	1985	1986			1987
Family Income	Current Law	Full Funding	Appro.	After Sequestering	Proposed Policy
			$3,000		
$10,000	$1,800	$1,800	$1,800	$1,800	$1,800
$15,000	1,780	1,800	1,750	1,700	1,610
$20,000	1,170	1,300	1,000	700	750
$25,000	510	710	115	0	0
			$5,000		
$10,000	$2,100	$2,100	$2,100	$2,100	$2,100
$15,000	1,780	1,800	1,750	1,700	1,910
$20,000	1,170	1,300	1,000	700	1,050
$25,000	510	710	115	0	0
			$8,000		
$10,000	$2,100	$2,100	$2,100	$2,100	$2,100
$15,000	1,780	1,800	1,750	1,700	1,910
$20,000	1,170	1,300	1,000	700	1,050
$25,000	510	710	115	0	0

2. Campus-based aid: Work-study/Grants
(Legislation to be proposed)

1987 Authorization: $400,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
---	---	$400,000,000	+$400,000,000

1987 Budget Policy

In fiscal year 1987, $400,000,000 is requested for the Campus-based aid program: Work-study/Grant consolidation. The proposed program represents a consolidation of the activities formerly authorized under the separate Supplemental Educational Opportunity Grant and Work-Study programs. The budget request would provide average awards of $600 to approximately 825,000 postsecondary students.

Method of Operation

Federal funds would be distributed directly to eligible postsecondary institutions. An eligible institution would receive a share of its State's proportion of the total appropriation. To determine a State's portion of the appropriation, funds would be apportioned among the States on the basis of a statutorily prescribed formula. However, to facilitate conversion to this formula, distribution of funds on this basis would be phased in over a ten-year period, using a procedure which would base a State's funds on a decreasing percentage of its previous year's funds and an increasing percentage using the formula. In fiscal year 1987, 90 percent of a State's portion of the 1987 appropriation would be based on a percentage of the Supplemental grant and Work-study funds it received in 1986, with only 10 percent based on the statutory formula. The proportion of the appropriation allocated to a State based on its previous year's funds would decline by 10 percent each year until the entire appropriation is apportioned among the States on the basis of the statutory formula.

Once the State's portion of the funds has been determined, funds within the State would be distributed among eligible institutions, which have applied for these funds, on the basis of regulations developed by the Secretary. These regulations would consider various criteria, including student need at the institution and past utilization of funds.

This program would be institutionally administered to students who demonstrate need and qualify for grants or work awards on the basis of a statutory need analysis system proposed under the reauthorized Higher Education Act. Federal funds could not exceed 80 percent of the student's grant or earnings.

Method of Operation--continued

-- Grants--Funds awarded as grants to students could not exceed $2,000 and would be available only while the student was pursuing a baccalaureate degree. However, no grant, in conjunction with a Pell grant, could exceed 60 percent of the cost of attendance, minus expected family contribution.

-- Work--Employment provided under the work portion of this program would provide earnings for both graduate and undergraduate students. Non-profit organizations, including educational institutions, could participate as employers. Earnings could equal less than the minimum wage although not less than 75 percent of the statutory minimum.

A Job location center would be authorized to locate and develop part-time jobs off-campus and, if related to reducing adult illiteracy, on-campus. An institution could use up to 10 percent of its allocation, up to $100,000, to operate the center. This activity was formerly authorized under the Work-study program.

Rationale for Policy

A consolidated authorization would implement three important goals of the 1987 budget: (1) improve the efficiency and integrity of student aid delivery by consolidating work and grant activities under one administrative program, (2) emphasize institutional "cost-sharing" by institutional participants in providing student aid, and (3) promote student employment as an important self-help activity in financing educational costs.

o Improve Program Efficiency and Integrity Through Consolidation: The consolidated grant/work-study program would allow greater institutional flexibility in meeting individual student need. Under the proposed program, institutional allocations could be used as either grant assistance or work-study salaries with only one restriction: not more than 50 percent of the allocation could be used as grants. The newly proposed standard need analysis method would apply to both work-study and grant awards; however, for purposes of this program only, institutional aid administrators would be given limited discretion, as determined by the Secretary through regulation, in adjusting the determination of student need based on unusual individual circumstances.

o Expand Institutional Cost-Sharing: Institutional cost-sharing would be substantially increased through elimination of the institutional administrative allowance set-aside (currently an average of four percent of an institution's allocation) and through substantially increased institutional matching requirements. Both work and grant awards would be required to be matched on a 20/80 (institutional/Federal share) basis for award year 1987-88, with yearly 10 percent increment increases in the institutional share until a 50/50 match is reached beginning with 1990-1991.

Rationale for Policy -- Continued

o Promote Work Activities: Provisions of the consolidated work-study/grant program would emphasize student employment as a means of financing educational costs. No institution could receive funds under the Campus-Based Aid program unless at least 50 percent of its allocation was awarded as work-study awards. In addition, all Federal grants, including grants made under this program, would be subject to an $800 self-help expectation. Earnings under this program could be used to fulfill that expectation.

— Job location centers: Job location centers currently authorized under the Work-study program would be reauthorized and expanded under the proposed Campus-based aid program to assist institutions develop and establish part-time employment opportunities off-campus. Currently institutions can use 10 percent of their Work-study program funds, but not more than $25,000, to pay the costs of administering the Center. The 1987 proposal would increase that allowance to 10 percent up to $100,000. However, in no case could Work-study/Grant program funds be used to pay more than 80 percent of the Center costs. Institutions would have to finance at least 20 percent of the Center costs from institutional funds.

-- Adult literacy: A major proposal for the new Campus-based aid program would promote jobs for students which help reduce adult illiteracy. Over the past three years modest funds reallocated from the former Work-study program have encouraged institutions to develop tutoring programs to reduce adult illiteracy. These activities have benefitted many adults and program evaluations have indicated that Federal incentives would expand these activities nationwide. Therefore, this budget would stimulate the expansion of such programs by increasing the Federal portion of earnings for students engaged in these activities. In 1987, the Federal portion of earnings would be 90 percent. Each subsequent year the Federal share would decline by 10 percent until 1991 when it would remain constant at 60 percent. As an additional incentive, the Job location center would be authorized to administer jobs devoted to adult literacy whether such jobs were located on- or off-campus.

Several other proposals for reforming the Higher Education student financial aid programs would also apply to the Campus-based aid program. These reforms, summarized below, are discussed more fully under the Pell grant narrative.

Rationale for Policy -- Continued

- o Targeting Aid on the Neediest: Awards under the Campus-based Aid program would be based on a single more equitable need analysis system as specified under the reauthorized Higher Education Act. A uniform standard of need would reduce the inequities arising from students with similar need receiving dissimilar awards dependent on the particular need analysis system used. A uniform standard of educational costs related to tuition and fees and an allowance related to living costs (room and board), and transportation costs also would be authorized. For students living on-campus the allowance would be limited to $3,400, for students living off-campus, but with their parents, $2,000 and not with parents, $3,100. This allowance would reflect a more realistic appraisal of a student's costs.

- o Restricting Independent Student Status: Any student who is under 23 years of age would be considered dependent on his/her parents unless he/she is an orphan or ward of the court or can demonstrate self-sufficiency for the two years prior to the year of application. The current three-question criteria, involving living status, acceptance of parental assistance and dependency status on parental tax returns, would also be applied (regardless of student age) to the award year and the two years prior to the award year. Any student under 30 who claims to be independent would have to submit parental tax forms for these two prior years.

- o Requiring a High School Diploma: Only recipients of a high school diploma or its equivalent would be eligible for aid under this program. Currently, non-high school graduates above compulsory school age with "ability to benefit" are eligible. This rule would preserve scarce aid funds for those who can demonstrate explicit academic aptitude for profitting from educational programs.

3. Supplemental opportunity grants
(Higher Education Act, Title IV, Part A, Subpart 2)

1987 Authorization: --- 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$412,500,000	$394,762,000	$257,500,000	---	-$257,500,000

1/ Program authorization has expired.

Purpose and Method of Operation

Grants are made to postsecondary institutions to provide institutionally-administered need-based aid to undergraduate students. These awards supplement the Pell grant and other Federal, State and institutional aid in reducing financial barriers to postsecondary education. Unlike Pell grants, Supplemental grants are administered by institutional financial aid administrators who have substantial flexibility in determining student awards. The maximum grant authorized per student for a single academic year is $2,000.

Students qualify for grants (1) by demonstrating financial need under a need analysis system which meets criteria set by the Department of Education and (2) by attending one of the 4,400 postsecondary institutions participating in the Supplemental educational opportunity grant (SEOG) program. Qualified students must normally attend at least half-time, although an institution may use up to 10 percent of its allocation for grants to students attending less than half-time.

Funds are distributed among States and institutions under both statutory and regulatory provisions. A State's allotment is based in part on its relative share of national full-time equivalent undergraduate enrollment. Through a combination of appropriation and authorizing legislation funds in recent years have been distributed among States in the same proportion as in 1981. Institutions within the State qualify for funds based on past utilization, current student finances, and funds allotted to the State in which the institution is located, although the authorizing legislation provides for a minimum institutional allocation dependent on the total Supplemental grant appropriation. Funds appropriated in 1986 primarily support awards in academic year 1986-87.

Institutions currently may transfer up to 10 percent of their SEOG allocation to Work-study or *vice versa*. Under a statutory formula, up to 5 percent of the Supplemental grant expenditures during an award year may be used by institutions to meet administrative costs of financial aid programs. This program's appropriations are available for obligation over two years.

3. Supplemental opportunity grants

Accomplishments

The Supplemental grant program, first known as the Educational opportunity grant (EOG) program, was authorized under the Higher Education Act of 1965. With an initial appropriation of $58 million distributed among 1,383 institutions in 1966, over 123,000 students were assisted. In 1986, $257.5 million will assist 449,000 students. Between 1966 and 1984, over $4.5 billion in grants have been made to students under this program.

The Supplemental grant program assists students from higher incomes than the Pell grant program. In 1983-84, over 11 percent of Supplemental grant funds assisted dependent students with family incomes above $30,000. In contrast, over 98 percent of the Pell grant funds in 1983-84 assisted students with incomes of $30,000 or less.

Supplemental Grant Program

Summary of Percentages of
Distribution of Awards
1982-83 and 1983-84

Income	Percentage of Recipients		Percentage of Funding	
	1982-83	1983-84	1982-83	1983-84
0- $5,999	12.1	11.9	11.0	10.3
$6,000- $11,999	13.2	12.6	12.8	12.2
$12,000- $17,999	13.2	12.7	13.9	13.5
$18,000- $23,999	11.1	10.9	12.4	12.2
$24,000- $29,999	8.8	8.9	9.9	10.3
$30,000+	8.7	9.5	10.2	11.4
	67.1	66.5	70.2	69.9
Undergraduate Independent	32.9	33.5	29.8	30.1
	100.0	100.0	100.0	100.0

The Supplemental grant program also tends to provide more funds to the higher cost private sector of postsecondary education because the institutional allocation formula is based in part on institutional costs of attendance. Private non-profit institutions receive a share of SEOG dollars (over 40 percent) almost twice the share of students (about 21 percent).

Accomplishments -- Continued

Summary of Institutional Allocations for the Supplemental Educational Opportunity Grants Program

($ in millions)

	1981-82	1982-83	1983-84	1984-85
Public Two-Year	$48.3	$45.0	$46.1	$48.8
Public University and Four-Year	134.8	133.4	133.2	138.1
Private Two-Year	11.4	7.9	6.0	8.0
Private University and Four-Year	134.8	135.5	136.9	143.8
Proprietary	37.4	30.2	30.8	35.8
Total	366.7	352.0	353.0	374.5

Supplemental grants in conjunction with Pell grants and other Federal, State and institutional aid facilitate wider student choice in the selection of an institution. An analysis of Cooperative Institutional Research Program (CIRP) data suggest that most students with a SEOG also receive a Pell grant (67 out of 100), thereby providing students with higher grant awards to attend higher cost schools.

1987 Budget Proposal

Many activities provided under the Supplemental grant program are proposed for authorization under the consolidated Campus-Based Aid program: Work-study/Grants. These proposals are discussed more fully under the Campus-Based Aid narrative.

4. Work-study
(Higher Education Act, Title IV, Part C)

1987 Authorization: — 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$592,500,000	$567,023,000	$502,500,000	—	-$502,500,000

1/ Program authorization has expired.

Purpose and Method of Operation

The purpose of the Work-study program is to assist students in meeting their expenses of postsecondary education through part-time employment. Federal grants for this purpose are awarded to qualifying institutions which select needy students for employment. Non-profit organizations, including educational institutions, may participate as employers. Federal funds subsidize up to 80 percent of a student's part-time earnings, and at least 20 percent of earnings must be provided by the employer. Both undergraduate and graduate students showing financial need may participate in Work-study.

Institutions qualify for Federal funds based on past utilization of funds, current reported student need, and the annual allotment available to the State in which the institution is located. A State's allotment from the annual appropriation is based on the State's relative percentage of national full-time higher education enrollment, its relative percentage of annual high school graduates nationally, and its relative percentage of children under 18 from families with annual incomes less than $3,000. The statute also includes a fiscal year 1972 State hold-harmless level. A combination of appropriation language and authorizing legislation has allotted funds to the States in proportion to their 1981 distribution since 1982.

Authorization for Work-study programs also provides for Job Location and Development Centers (JLD) which locate and develop part-time student employment in the community. An institution may use up to 10 percent of its allocation, up to a maximum of $25,000, to operate a center. Over 400 institutions currently participate in the program. The services of a center are available to all students regardless of financial need.

An increased administrative allowance (10 percent of the school's Federal allocation) is available to schools which develop "community service-learning" programs. These programs must provide employment related to a student's educational goals and the employment must serve low-income persons.

Purpose and Method of Operation — Continued

Funds appropriated under the fiscal year 1986 appropriation are available to support awards during the 1986-87 academic year. Up to five percent of the Work-study expenditures during an award year may be used by institutions as a resource for meeting the costs of administration of this and other Title IV student financial aid programs.

If any funds become available for reallotment because of State underutilization, 50 percent of such funds must be transferred to institutions for the purposes of initiating, improving and expanding Cooperative Education programs.

Up to 10 percent of a school's annual Federal Work-study funds may be transferred to the Supplemental grant program. Also, up to 10 percent of school's annual Work-study allocation may, at the school's discretion, remain available for the next fiscal year.

Accomplishments

The Work-study program was established as part of the Economic Opportunity Act of 1964. It later was authorized under the Higher Education Act and became the work component of the Federal work, grant and loan effort to assist financially needy students obtain a postsecondary education. An initial appropriation of $56 million in 1965 for Work-Study provided assistance to 115,000 students at 1,095 institutions. A decade later the appropriation had expanded to more than $400 million with 3,000 institutions providing over 500,000 awards. In 1986, 667,000 students will receive Work-Study awards with an average award of $880.

The Work-study program assist students from all income levels to broaden choice to postsecondary students.

Accomplishments -- Continued

Summary of Percentages of Distribution of Awards 1982-83 and 1983-84

Student Status	Percentage of Recipients 1982-83	Percentage of Recipients 1983-84	Percentage of Funding 1982-83	Percentage of Funding 1983-84
Undergraduate, dependent:				
Family Income				
0- $5,999	12.3	12.0	10.6	10.0
$6,000- $11,999	12.0	11.8	11.9	10.8
$12,000- $17,999	12.5	12.3	11.9	11.5
$18,000- $23,999	11.9	11.4	11.1	10.7
$24,000- $29,999	10.3	10.1	9.3	9.3
$30,000+	12.9	14.0	11.3	12.5
Total, dependent	71.9	71.6	66.1	64.8
Undergraduate, independent	22.9	23.1	24.8	25.2
Graduate	5.2	5.3	9.1	10.0
Total	100.0	100.0	100.0	100.0

The Work-study program tends to provide more funds to the higher cost private sector of postsecondary education because the allotment formula is based in part on institutional costs of attendance. Private non-profit institutions enroll less than 22 percent of the students, but almost 40 percent of Work-study dollars.

Summary of Institutional Allocations

($ in millions)

	1984-85 $	1984-85 Percent	1985-86 $	1985-86 Percent
Public Two-Year	$88.4	16.0	$93.1	15.8
Public University and Four-Year	234.4	42.4	242.6	41.1
Private Two-Year	10.1	1.8	10.1	1.7
Private University and Four-Year	206.3	37.3	223.9	37.9
Proprietary	14.2	2.5	20.7	3.5
Total	$553.4	100.0	590.4	100.0

Student Financial Assistance

4. Work-study

1987 Budget Proposal

Many activities provided under the Work-study program are proposed for authorization under the consolidated Campus-Based Aid Program: Work-study/Grants. These proposals are discussed more fully under the Campus-Based Aid narrative.

5. Direct loans: a. Federal capital contribution/income-contingent loans
b. Loan cancellations
(Proposed legislation)

1987 Authorization: To be determined 1/

Budget Authority:

	1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate 2/	1987	Increase or Decrease
Federal capital contribution (current program).......	$190,000,000	$181,830,000	--- 2/	---	---
Federal capital contribution (proposed program).......	---	---	---	$137,568,000 3/	+$137,568,000
Loan cancellations...	28,000,000	26,796,000	$26,796,000	25,000,000	-1,796,000

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

2/ Reflects a proposed rescission of the entire amount made available in 1986.

3/ Supplemented by $52,432 thousand in net offsetting collections, bringing the program level to $190,000 thousand.

Purpose and Method of Operation

The Direct Loans (or "NDSL") program provides long-term, very low-interest loans to financially needy students to help them pay higher education costs. Loans are made from institutional revolving funds composed of newly appropriated Federal capital contributions (FCC—which is matched by schools at one institutional dollar for every nine Federal dollars), school-level collections on prior year student loans, and Federal payments for loan cancellations granted in exchange for specified types of teaching and military service.

Purpose and Method of Operation — Continued

Borrowers are needy undergraduate, graduate, and professional students who are in good academic standing and are enrolled at least half-time at an eligible postsecondary institution. An otherwise eligible student may not borrow, however, if already in default on an NDSL or Guaranteed Student Loan (GSL) or if owing a refund on any other previously received Federal aid.

The distribution of new Federal capital is based on a statutory State apportionment formula and ED-prescribed institutional allocation rules.

State apportionments are based principally on relative State share of nationwide full-time higher education enrollment. Under current law, however, if a given year's appropriation for FCC is less than the amount so appropriated in fiscal year 1981, funds are distributed such that each State receives the same proportion of the new appropriation as it received of the 1981 appropriation.

Institutional allocations are based on institutional need, as determined under regulatory criteria, with adjustments required to be made in consideration of loan collection/default performance as follows: a school does not qualify for new FCC if its default rate exceeds 25 percent; at default rates above 10 percent but no more than 25 percent, a school's FCC allocation is reduced; if a school's default rate does not exceed 10 percent, it qualifies for its full allocation amount. Recently proposed regulations would reduce these default triggers for 1986-87 to 20 percent and 7.5 percent (from the current 25 percent and 10 percent).

For a borrower's first two years of undergraduate study, the aggregate loan limit is $3,000; for the total period of undergraduate study, the aggregate limit is $6,000 including any amounts borrowed during the first two years of such study. For the combination of undergraduate and graduate study, the aggregate borrowing limit is $12,000.

The borrower makes no principal repayments during in-school, grace, and deferment periods, and interest is neither paid nor accrued. During the repayment period (which normally may not exceed 10 years), interest is charged at a five percent rate.

Schools are responsible for loan servicing and collections including the establishment of repayment schedules and borrower counseling, as necessary.

For any year in which it receives an allocation of new Federal capital, a participating school may draw from its NDSL revolving fund an amount of up to five percent of the amount of new loan awards that year as reimbursement for the administrative costs of operating this and other Federal student aid programs.

Student Financial Assistance

5. Direct loans: a. Federal capital contribution/income-contingent loans
b. Loan cancellations

Purpose and Method of Operation -- Continued

In order to encourage student borrowers under this program to enter certain fields of public interest (e.g., teaching of the handicapped, teaching in schools in areas with high concentrations of low-income families, working as professional Head Start staff members) and in order to provide some additional compensation for the performance of military service in "areas of hostilities," legislative provision has been made for cancelling the repayment obligation on NDSL loans (both "Defense" and "Direct") in exchange for specified periods of such service. Specifically, for Defense Loans made prior to June 30, 1972, schools are reimbursed for the amount of the institutional matching contribution on cancelled loans (which reimbursement may or may not--at institutional discretion--be reinvested in the school's revolving loan fund), but for Direct Loans made after June 30, 1972, the reimbursement is for 100 percent of the principal amount of the loan (all of which is then required to be reinvested in the school's loan fund).

Accomplishments

For nearly 30 years, Federal capital has been appropriated each year for investment in this program's revolving student loan funds administered directly by postsecondary institutions. The initial appropriation in 1959 of $31 million assisted about 25,000 students with loans averaging $383 each. The 1985 appropriation of $192.5 million is being combined with school matching contributions, school-level collections on prior year student loans, and Federal payments for loan cancellations to make about $751.1 million available in school-year 1985-86 for 853,475 loans averaging $880 each. It is estimated that in total about $8.5 billion has been loaned to over 10 million students.

Although loan defaults have plagued the program since its inception, some progress has been made over the past few years relative to the exercise of due diligence in school-level default collections, loan collection operations in general, and effective assignment of problem defaults to the Department so as to invoke Federal-level collections measures. The program's default rate has been reduced from 16 percent in 1979 to 14.5 percent in 1984.

1987 Budget Policy

For fiscal year 1987, an appropriation of $137,568,000 is requested. This appropriation--supplemented with $52,432,000 in net offsetting collections to the appropriation account--would combine to provide new Federal capital contributions in the amount of $190,000,000.

1987 Budget Policy -- Continued

Under our long-range budget policy for this program (which--restructured wich an income-contingent repayment plan--is the Department's major new student aid proposal), new Federal capital contributions would increase steadily to reach $340 million in both fiscal years 1990 and 1991. As such, total new loan capital of $1.4 billion would be made available over the five-year reauthorization period.

Under the Department's legislative proposal, the Higher Education Act's existing NDSL program would be substantially restructured to incorporate flexible, income-sensitive repayment terms for borrowers. This income-contingent redesign would make it possible for students to borrow greater amounts on more manageable repayment terms, yet at no net cost to the Federal Government in providing loan capital.

In order to continue receiving annual allocations of new Federal loan capital, an institution would have to agree to make student loans on an income-contingent basis. A school would, however, have the option of not requesting new FCC at all--instead using only existing school-level revolving funds to continue making fixed-payment/fixed-term student loans.

This NDSL restructuring would serve as a means of establishing an important (and, hopefully, growing) component of the Department's long-term design for continued Federal investment in student aid--a design intended to (1) facilitate higher education access and choice for financially needy students, (2) restore the traditional and appropriate emphasis on students and parents having primary responsibility for financing higher education costs, and (3) strengthen program cost-sharing with participating institutions and agencies.

More specifically, our proposed Income-Contingent Loan program is intended to accomplish the following:

o Make student loan repayment burden manageable, flexible, and as long-term as needed to accommodate individual post-school income circumstances.

o Maintain limited ED support for a campus-based direct student loan program so as to continue institutional flexibility in designing individual student aid award "packages."

o Enhance institutional choice at the undergraduate and graduate levels by authorizing substantially higher award levels than are permitted under current law.

o Put no long-term burden on the Federal budget, by requiring borrowers to make full repayment at a three percent premium above Treasury borrowing costs.

1987 Budget Policy -- Continued

In summary, the restructured NDSL would work as follows:

- ED would apportion new Federal loan capital to the States on the basis of a statutory formula designed to improve targeting of these resources.
- States would allocate this capital to participating schools on the basis of ED-prescribed institutional/student need factors.
- Schools would match new Federal capital on a 1:9 institutional:Federal cost-sharing basis.
- Schools would make new student loans from the combination of new loan capital and existing school-level revolving funds (which are financed principally with collections on prior year student loans).
- A student borrower would undergo need analysis prescribed by ED, with the amount of any loan award then to be at institutional discretion up to the amount determined to be needed (but no more than the statutory maximum).
- The borrower would make no repayments while in school, but interest would accrue.
- The borrower would begin repayments six months after leaving school. Interest would accrue during this grace period.
- A fixed-payment schedule would be used during the first two years of repayment (with a non-income-related hardship deferment available, as needed).
- Annually thereafter, the borrower would document prior year income, and the school would establish an income-based payment schedule for the succeeding year.
- Interest would continue to accrue during any post-school year in which no payments are made (i.e., zero-income years or periods of a non-income-related hardship deferment).
- Borrower payment would continue until the outstanding loan balance is completely repaid.
- Schools would be able to assign collection responsibility to ED for all loans (not just defaults), but would then lose all proprietary interest in the loans—including their own contribution to loan capital.

1987 Budget Policy -- Continued

In more detail, the basic features of our proposal are as follows:

- Source of loan capital. New budget authority plus certain program collections made at the Federal level (e.g., collections on ED-assigned loans, proceeds on discounted sales of assigned loans) would be distributed in the form of new Federal capital contributions to school-level revolving funds to augment existing institutional NDSL resources (i.e., resources supported with collections on prior year student loans).

  Institutions would continue to be required to match new Federal capital--at one institutional dollar for every nine Federal dollars.

- Distribution of loan capital: Federal capital contributions would be distributed among the States on the basis of a statutorily prescribed apportionment formula with a "hold-harmless" to assure each State a dollar amount of each year's new Federal capital at least equal to that State's dollar amount received under the FY 1986-distributed amounts (with pro rata reductions, if necessary).

  Within States, Federal capital would be distributed among participating schools according to institutional cost and student need factors to be established in regulation.

  In addition to allocations of new Federal capital (which--under our proposal --would include both newly appropriated capital plus net Federal-level receipts, income-contingent participating schools would also have use of the full amount of payments collected on prior year loans.

- Borrower eligibility: Eligibility would be limited to students who are enrolled at eligible postsecondary institutions on at least a half-time basis and who demonstrate financial need.

  Loan amounts would be limited to allowable educational costs minus other expected aid minus an expected family contribution (EFC). A proposed single need analysis system prescribed by the Department would be used to determine EFC.

- Borrowing limitations: Institutions would have discretion in setting individual loan amounts within statutory limits. Loan limits would be as follows: for the first and second academic years of undergraduate study, up to $2,500 per year; for the third year of such study, up to $3,500; for succeeding academic years of undergraduate study, up to $4,500 per year

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1987 Budget Policy — Continued

(with a maximum of five years of undergraduate borrowing); and for graduate study, up to $10,000 per year (limited to an additional five academic years of borrowing); lifetime borrowing would be limited to $40,000.

Thus, the maximum cumulative undergraduate borrowing would be $17,500 (in place of $6,000 under the current program). The limit on total lifetime borrowing, including both graduate and undergraduate loans, would be increased to $40,000 from the currently authorized $12,000.

There would, however, be a $50,000 loan maximum for ED-assisted student loans overall (i.e., NDSL/income-contingent loans, regular GSL, PLUS) to any one borrower to help assure that individual debt burden is generally manageable—thereby helping to reduce the incidence of default.

- Borrower interest rate: Interest would be charged on a borrower's outstanding loan balance at the 91-day Treasury bill (T-bill) rate plus three percent, beginning to accrue immediately at the point of first loan disbursement (with interest accruing during in-school, grace, and deferment periods being capitalized into the outstanding loan balance). Accrued interest would be applied at the beginning of each calendar year (using the T-bill rate for the fiscal quarter ending the prior September 30), and would be computed on the average daily loan balance for the preceding calendar year.

- Borrower repayment terms: A borrower would enter repayment status six months after leaving school. Generally, during the first two years of repayment status, a borrower would be required to make a fixed payment of at least $30 per month per $10,000 of accumulated borrowings—with a non-income-related hardship deferment available as necessary. This initial fixed-payment period would enable the borrower to become securely attached to the labor market after leaving school as well as provide time for a realistic post-school income base (which would, in part, determine future-year payment amounts) to be established.

  Thereafter, the annual repayment obligation would be redetermined on the basis of total amount borrowed and modified adjusted gross income for the most recent calendar year preceding payment scheduling (with modifications intended to provide for ED-prescribed additions to and/or subtractions from income)—such determination to be computed under a simple matrix of loan amount and income. Income would be documented through submittal of duplicate Federal income tax returns and/or other income documents.

  Repayment burden would range from nothing (for zero-income individuals—with accrued interest being capitalized into the outstanding loan balance) up to a maximum of 15 percent of income. Generally, annual repayment amounts

1987 Budget Policy -- Continued

would range from five to 15 percent of the borrower's income. A hardship deferment would be available to accommodate unusual, non-income-related financial hardship.

A borrower would continue to make repayments until the outstanding loan balance (including accrued interest) is extinguished. In the event of death prior to full repayment, the Federal Government would have first claim against the borrower's estate.

- Loan administration: Participating institutions would originate the loans and would have primary administrative responsibilities (e.g., routine billing and servicing) as well as responsibility for default collection. Institutions could, of course, contract privately for this servicing function, as the majority do now under the current NDSL program.

  Schools could assign default collection only or both routine servicing and default collection responsibilities to ED, but in either case, all collections on assigned loans would be retained at the Federal level until reallocated among all participating institutions in the same manner, and along with, newly appropriated capital. The Department could require assignment of these functions in cases of poor institutional performance.

- Program administration costs: Institutions would be permitted to pay only for certain default collection/litigation costs out of revolving fund proceeds--and only as approved under ED-prescribed criteria/limitations.

- Program subsidy cost: Given the average interest return of the 91-day T-bill rate plus three percent on student loans, the program would operate on an unsubsidized basis from the standpoint of the Federal Government's "cost of money" (here, the 91-day T-bill rate itself).

- Program "full-funding": Under the proposed loan repayment design, borrower return to the institutional student loan revolving funds would replenish those funds in amounts sufficient to protect their inflation-adjusted value. In other words, given (1) borrower repayments at an interest yield of the 91-day T-bill rate plus three percent, (2) higher education cost increases at a level no more than moderately exceeding the T-bill rate 1/, and

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1/ Not an unreasonable assumption--for example, in 1984 and 1985 the T-bill annual yield average actually exceeded the Consumer Price Index (CPI) by 6.6 percent and 4.1 percent respectively, and through the succeeding six-year period 1986-91 it is projected to continue ahead of the CPI by between 1.4 percent and 4.2 percent.

Student Financial Assistance

5. Direct loans: a. Federal capital contribution/income-contingent loans
   b. Loan cancellations

1987 Budget Policy -- Continued

(3) relatively stable higher education demographics with respect to numbers enrolled and student/family income circumstances, continued infusion of Federal capital could be expected eventually to bring the aggregate resources of the school revolving funds to a "fully-funded" level (that is, a resource level sufficient to meet the entire amount of borrower need/demand for loan assistance and a level that will be maintained indefinitely as capital revolves into and out of the institutional coffers--all the while maintaining inflation-adjusted value on the strength of a market-sensitive interest yield).

- Cost-Sharing with Educational Institutions: Currently authorized institutional administrative allowances/set-asides would be eliminated, increasing the amount of program funds made available for direct aid to students. As indirect but significant beneficiaries of Federal student aid, schools should be willing to support these programs administratively without reimbursement.

Several other proposals for generally reforming student eligibility requirements under the HEA's postsecondary student aid programs would apply to Income-Contingent Loans, including use of a stricter, uniform need analysis, restricting independent student status, and requiring a high school diploma. These proposals are discussed in more detail under the Pell Grant narrative.

Impact Data

Total Amount Available for New Loans

($ in millions)	1985	1986 after Sequestering	1986 Revised	1987
Budget authority (net of administrative allowances)	$164.6	$149.3	—	$137.6
Federal-level collections (net of collection costs)	—	—	—	52.4
Loan cancellation payments	20.6	26.8	$26.8	25.0
School-level collections (net of default collection allowances)	544.5	582.7	582.7	623.2
School-level matching contributions	21.4	20.2	—	20.7
Total amount available for new loans	751.1	779.0	609.5	858.9

Student Financial Assistance

5. Direct loans: a. Federal capital contribution/income-contingent loans
    b. Loan cancellations

Impact Data — Continued

**Monthly Repayment Burden
on $40,000 Loan Amount
and Selected Repayment Configurations**

Total Loan Principal	Post-School Income (if applicable)	Repayment Term	Monthly Payment
Income-contingent loan -- $40,000 1/	$10,000	37 years	$152.67 2/
	$20,000	20 years	$305.25 2/
	$25,000	17 years	$381.58 2/
	$50,000	10 years	$763.17 2/
Fixed-payment loan — $40,000 3/	n/a	10 years	$731.58
	n/a	15 years	$591.01

1/ Assumes (1) $40,000 in total borrowings over seven years, as follows: Year 1--$2,500, Year 2--$2,500, Year 3--$3,500, Year 4--$4,500, Year 5--$7,000, Year 6--$10,000, Year 7--$10,000; (2) repayment beginning in Year 8; (3) both in-school and post-school interest accrual at the 91-day Treasury bill rate (assumed here at seven percent) plus three percent; and (4) annual real growth in post-school incomes of 3.5 percent--1/2 the 91-day Treasury bill rate.

2/ Monthly payment equivalent in the first income-based year of the repayment term (i.e., after the initial two-year post-school period during which a minimum fixed payment amount of $120 per month would apply).

3/ Assumes same borrowing, repayment, and accrued interest parameters as described in footnote 1/ and assumes that $40,000 could be borrowed under fixed-payment/fixed-term loan repayment configurations (both 10-year and 15-year).

5. Direct loans: a. Federal capital contribution/income-contingent loans
b. Loan cancellations

Impact Data — Continued

Distribution of Awards by Type of Institution
School Year 1983-84

Institutional Type	% of Recipients	% of Total Dollar Amount of Loan Awards
Public 2-Year Colleges	4.4%	3.1%
Private 2-Year Colleges	1.2%	1.2%
Public 4-Year Colleges & Universities	49.0%	46.6%
Private 4-Year Colleges & Universities	38.0%	42.3%
Proprietary Schools	7.3%	6.8%
Total	100.0%	100.0%

Distribution of Awards by Student Status
School Year 1983-84

Student Status	% of Recipients	% of Total Dollar Amount of Loan Awards
Undergraduate dependent:		
Family income		
0 - $5,999	8.3%	6.6%
$6,000 - $11,999	9.5%	8.3%
$12,000 - $17,999	11.4%	10.4%
$18,000 - $23,999	11.3%	10.4%
$24,000 - $29,999	10.2%	9.5%
$30,000 +	14.0%	13.1%
Subtotal	64.7%	58.3%
Undergraduate independent	25.7%	24.3%
Graduate	9.6%	17.4%
Total	100.0%	100.0%

6. State student incentive grants
(Higher Education Act, Title IV, Part A, Subpart 3)

1987 Authorization: — 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$76,000,000	$72,732,000	—	—	-$72,732,000

1/ Program authorization has expired.

Purpose and Method of Operation

Grants to States are authorized to encourage States to develop and expand need-based grant programs for postsecondary students. States must equally match these grants with State funds and use these funds to support grants ranging up to $2,000 per academic year to financially needy students.

The State's allotment is based on its relative share of national higher education enrollment. States must administer the program under a single State agency agreement and meet a maintenance of effort criterion. Funds appropriated in 1986 support awards in academic year 1986-87.

States establish the need criteria for student eligibility subject to approval by the Secretary of Education. All nonprofit institutions of higher education are eligible to participate, except where this provision is in violation of the State's constitution or a State law enacted before October 1, 1978. Only 35 States include proprietary (for profit) institutions. All States give grants to full-time students, and 21 States include part-time students as well. Twelve States serve graduate as well as undergraduate students. Of the 57 States and Outlying Areas, 21 now allow students to use their grants out of State.

Accomplishments

Before the State Student Incentive Grant (SSIG) program was first authorized in 1972, only 31 States had student assistance grant programs. Since then, the number of State programs increased until all potential 57 States and Outlying Areas participated in the program. State need-based grant dollars for postsecondary students grew from $364 million in 1973-74 to over a billion dollars 10 years later. Over 1.3 million recipients benefit from these grants.

Student Financial Assistance

6. State student incentive grants

1987 Budget Proposal

This program is not proposed for reauthorization under the Higher Education Act. Federal funds clearly are no longer necessary as a stimulant to encourage States to provide State-based aid inasmuch as State expenditures for grant aid have continued to expand even as Federal funding has dropped or remained level in recent years.

Under the matching requirement of the State incentive program, most States considerably overmatch the Federal contribution. Of 40 jurisdictions (70 percent of participating States) which overmatched Federal funds, 30 provided at least 75 percent more need-based grant aid than is required to match Federal funds. This suggests a considerable State level commitment regardless of Federal expenditures.

Impact Data

The following table displays the growth of State grant programs.

History Since 1969-70 of State-Funded Need-Based Undergraduate Scholarship/Grant Programs 1/

Year	Total Funds 2/ (Millions)	SSIG (millions)	Federal funds as a % of total	Number of Recipients
1969-70	$199.9	—	—	470,000
1970-71	236.3	—	—	535,200
1971-72	268.6	—	—	604,000
1972-73	315.5	—	—	661,700
1973-74	364.2	—	—	733,300
1974-75	440.8	$19.0	4.3	813,100
1975-76	510.2	20.0	3.9	901,900
1976-77	651.4	44.0	6.8	1,104,400
1977-78	737.0	60.0	8.1	1,161,400
1978-79	789.2	63.75	8.1	1,217,750
1979-80	864.5	76.75	8.9	1,278,429
1980-81	873.3	76.75	8.8	1,241,851
1981-82	916.2	76.75	8.4	1,216,103
1982-83	959.5	73.68	7.7	1,249,800
1983-84	1,035.4	60.0	5.8	1,285,041
1984-85	1,153.0	76.0	6.6	1,315,909
1985-86	1,292.0	76.0	5.9	1,314,354

1/ Excludes State student aid programs for graduate students.

2/ Includes SSIG funds.

Student Financial Assistance

Supplemental Opportunity Grants 1/

State or Outlying Area	1985	1986	1986 Revised	1987
TOTAL	$412,826,000 2/	$394,762,000 3/	$257,500,000	— 4/
Alabama	6,470,828	6,214,511	4,053,675	—
Alaska	383,357	367,771	239,894	—
Arizona	5,444,165	5,306,181	3,461,178	—
Arkansas	2,705,313	2,606,841	1,700,421	—
California	42,979,334	39,168,783	25,549,473	—
Colorado	4,978,138	4,802,769	3,132,807	—
Connecticut	5,685,613	5,468,356	3,566,963	—
Delaware	968,737	934,140	609,332	—
Florida	11,579,933	11,179,274	7,292,148	—
Georgia	6,443,600	6,285,741	4,100,137	—
Hawaii	1,367,290	1,311,698	855,610	—
Idaho	1,311,739	1,245,964	812,732	—
Illinois	17,988,314	17,222,416	11,234,040	—
Indiana	8,437,071	8,093,981	5,279,637	—
Iowa	5,715,512	5,524,704	3,603,719	—
Kansas	4,062,256	3,901,891	2,545,171	—
Kentucky	4,374,878	4,201,980	2,740,917	—
Louisiana	4,922,737	4,727,364	3,083,621	—
Maine	5,734,888	5,510,086	3,594,184	—
Maryland	6,559,490	6,167,048	4,022,715	—
Massachusetts	22,632,307	21,734,454	14,177,205	—
Michigan	15,008,395	14,452,643	9,427,340	—
Minnesota	11,027,886	10,564,425	6,891,088	—
Mississippi	5,067,546	4,866,713	3,174,517	—
Missouri	7,006,048	6,748,839	4,402,212	—
Montana	1,089,488	1,049,991	684,900	—
Nebraska	2,732,915	2,610,112	1,702,555	—
Nevada	667,334	649,797	423,857	—
New Hampshire	3,704,407	3,552,062	2,316,981	—
New Jersey	9,033,214	8,703,168	5,677,005	—

Supplemental Opportunity Grants (continued) 1/

State or Outlying Area	1985	1986	1986 Revised	1987
TOTAL	$412,826,000 2/	$394,762,000 3/	$257,500,000	--- 4/
New Mexico	2,888,533	2,791,656	1,820,974	---
New York	32,060,642	30,846,086	20,120,648	---
North Carolina	9,764,864	9,373,574	6,114,305	---
North Dakota	2,405,082	2,307,289	1,505,026	---
Ohio	15,784,923	14,966,071	9,762,245	---
Oklahoma	4,453,155	4,248,438	2,771,221	---
Oregon	8,201,851	7,879,044	5,139,435	---
Pennsylvania	23,245,675	22,320,131	14,559,237	---
Rhode Island	4,057,110	3,896,904	2,541,919	---
South Carolina	4,844,947	4,672,700	3,047,964	---
South Dakota	2,438,568	2,409,747	1,571,858	---
Tennessee	6,860,484	6,592,821	4,300,443	---
Texas	19,788,140	18,963,401	12,369,670	---
Utah	2,441,663	2,342,368	1,527,907	---
Vermont	4,062,156	3,906,548	2,548,209	---
Virginia	7,568,342	7,325,492	4,778,358	---
Washington	10,041,567	9,653,766	6,297,072	---
West Virginia	3,130,938	2,909,354	1,897,748	---
Wisconsin	13,072,554	12,583,096	8,207,850	---
Wyoming	557,597	534,930	348,930	---
District of Columbia	3,006,138	2,883,883	1,881,133	---
Guam	32,743	31,415	20,492	---
Puerto Rico	5,954,704	6,095,402	3,975,980	---
Pacific Islands	30,891	23,876	15,574	---
Virgin Islands	---	30,305	19,768	---

1/ Based on the State's share of the FY 1981 Supplemental Grant allocation.

2/ Includes reallocated funds from previous year.

3/ Reflects a reduction of $25,477,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

4/ Many activities under this program are proposed for reauthorization under the Campus-Based Aid Program: Work-study/Grants.

Student Financial Assistance

Work-Study[1]

State or Outlying Area	1985	1986	1986 Revised	1987
TOTAL	$595,041,562[2]	$567,023,000[3]	$502,500,000	—[4]
Alabama	12,003,340	11,255,960	9,972,852	—
Alaska	594,523	608,960	539,543	—
Arizona	6,372,387	6,108,578	5,412,239	—
Arkansas	6,195,988	5,935,851	5,259,202	—
California	50,782,525	47,942,777	42,477,603	—
Colorado	6,783,146	6,427,732	5,695,012	—
Connecticut	7,006,853	6,706,464	5,941,970	—
Delaware	1,372,827	1,315,924	1,165,917	—
Florida	17,691,714	16,835,817	14,916,642	—
Georgia	12,545,451	12,058,163	10,683,610	—
Hawaii	1,894,203	1,787,757	1,583,965	—
Idaho	1,912,174	1,785,809	1,582,239	—
Illinois	22,791,989	21,832,115	19,343,393	—
Indiana	10,801,391	10,341,201	9,162,370	—
Iowa	7,504,587	7,181,413	6,362,779	—
Kansas	5,750,952	5,513,126	4,884,665	—
Kentucky	9,578,748	9,173,361	8,127,656	—
Louisiana	11,402,194	10,929,601	9,683,697	—
Maine	6,602,077	6,281,151	5,565,140	—
Maryland	9,322,637	8,713,673	7,720,370	—
Massachusetts	34,176,995	32,696,874	28,969,639	—
Michigan	19,221,704	18,384,682	16,288,946	—
Minnesota	13,520,996	12,512,752	11,086,379	—
Mississippi	9,682,317	9,185,677	8,138,569	—
Missouri	11,413,987	10,929,591	9,683,688	—
Montana	2,693,477	2,473,613	2,191,637	—
Nebraska	3,887,492	3,713,578	3,290,254	—
Nevada	975,959	950,178	841,863	—
New Hampshire	4,983,510	4,771,448	4,227,533	—
New Jersey	13,256,087	12,687,767	11,241,443	—

Work Study (continued)[1/]

State or Outlying Area	1985	1986	1986 Revised	1987
TOTAL	$595,041,562[2/]	$567,023,000[3/]	$502,500,000	—[4/]
New Mexico	5,504,736	5,265,634	4,665,385	—
New York	48,545,256	45,922,301	40,687,452	—
North Carolina	14,961,140	14,332,942	12,699,078	—
North Dakota	2,720,530	2,549,373	2,258,761	—
Ohio	22,808,988	21,331,562	18,899,900	—
Oklahoma	7,135,504	6,830,166	6,051,571	—
Oregon	9,688,541	9,220,666	8,169,569	—
Pennsylvania	30,230,446	28,872,986	25,581,651	—
Rhode Island	5,119,079	4,892,952	4,335,188	—
South Carolina	8,776,870	8,341,173	7,390,333	—
South Dakota	3,603,200	3,470,427	3,074,821	—
Tennessee	11,640,930	10,610,631	9,401,087	—
Texas	32,731,401	31,298,302	27,730,496	—
Utah	3,405,206	3,264,065	2,891,983	—
Vermont	4,528,322	4,303,020	3,812,504	—
Virginia	11,816,544	11,291,985	10,004,771	—
Washington	11,608,495	11,070,467	9,808,505	—
West Virginia	5,106,763	4,722,812	4,184,442	—
Wisconsin	12,809,335	12,217,664	10,824,929	—
Wyoming	653,621	616,142	545,905	—
District of Columbia	4,629,252	4,437,372	3,931,540	—
Guam	277,239	236,444	209,490	—
Puerto Rico	13,646,871	13,535,126	11,992,208	—
Pacific Islands	311,675	290,269	257,180	—
Virgin Islands	59,388	56,926	50,436	—
Samoan Set-aside	—	1,000,000	1,000,000	—

1/ Based on the State's share of the FY 1981 Work-Study allocation.

2/ Does not reflect $4,425,438 distributed under the Cooperative Education activity.

3/ Reflects a reduction of $17,738,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P. L. 99-177.

4/ Activities under this program are proposed for reauthorization under the Campus-Based Aid program: Work-Study/Grants.

Student Financial Assistance

Direct Loans[1]

State or Outlying Area	1985	1986	1986 Revised
TOTAL	$199,248,000[2]	$181,830,000[3]	—
Alabama	2,800,634	2,839,072	—
Alaska	216,359	175,747	—
Arizona	2,616,977	2,493,829	—
Arkansas	1,620,619	1,493,638	—
California	20,331,082	19,337,000	—
Colorado	2,974,753	2,630,871	—
Connecticut	2,688,101	2,401,710	—
Delaware	449,190	447,652	—
Florida	5,363,317	5,000,130	—
Georgia	3,188,284	3,077,184	—
Hawaii	746,239	620,630	—
Idaho	787,529	745,738	—
Illinois	9,442,064	8,881,707	—
Indiana	4,842,525	4,680,409	—
Iowa	3,634,416	3,202,631	—
Kansas	2,658,061	1,622,802	—
Kentucky	2,477,384	2,090,641	—
Louisiana	3,137,288	2,923,761	—
Maine	1,587,201	1,733,836	—
Maryland	3,026,979	2,808,981	—
Massachusetts	7,897,117	8,184,293	—
Michigan	8,208,107	6,321,047	—
Minnesota	4,090,942	3,981,441	—
Mississippi	2,123,630	1,783,737	—
Missouri	4,321,171	4,215,363	—
Montana	840,839	528,786	—
Nebraska	1,829,405	1,681,960	—
Nevada	339,069	287,808	—
New Hampshire	1,411,085	1,434,874	—
New Jersey	3,974,528	3,800,810	—

Direct Loans (continued)[1]

State or Outlying Area	1985	1986	1986 Revised
TOTAL	$199,248,000[2]	$181,830,000[3]	---
New Mexico	1,029,844	1,110,483	---
New York	16,896,911	17,083,713	---
North Carolina	4,520,694	4,309,236	---
North Dakota	864,125	648,833	---
Ohio	8,870,266	8,587,748	---
Oklahoma	2,905,323	2,631,761	---
Oregon	3,387,959	3,355,699	---
Pennsylvania	9,727,677	9,106,978	---
Rhode Island	1,251,628	1,005,007	---
South Carolina	2,009,967	1,873,559	---
South Dakota	1,032,437	835,605	---
Tennessee	3,754,953	3,065,509	---
Texas	9,956,734	7,765,116	---
Utah	1,938,036	1,303,336	---
Vermont	1,076,435	1,080,670	---
Virginia	3,781,672	3,293,270	---
Washington	4,048,646	3,732,755	---
West Virginia	1,863,368	1,471,159	---
Wisconsin	4,971,488	4,617,847	---
Wyoming	373,220	200,389	---
District of Columbia	1,487,649	1,382,028	---
Puerto Rico	3,078,679	1,941,191	---
National	795,394		

1/ Based on State's share of the FY 1981 Direct Loan distribution.

2/ Includes funds reallocated from previous year.

3/ Reflects reduction of $8,170,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Student Financial Assistance

State Student Incentive Grants [1]

State or Outlying Area	1985	1986	1986 Revised	1987
TOTAL	$76,305,787 [2]	$72,732,000 [3]	—	— [4]
Alabama	1,130,143	1,081,547	—	—
Alaska	120,651	115,463	—	—
Arizona	1,293,036	1,237,435	—	—
Arkansas	480,536	459,873	—	—
California	11,749,536	11,167,557	—	—
Colorado	1,037,133	992,536	—	—
Connecticut	992,056	946,553	—	—
Delaware	202,630	193,917	—	—
Florida	2,390,144	2,274,892	—	—
Georgia	1,328,028	1,262,243	—	—
Hawaii	312,089	298,669	—	—
Idaho	254,345	243,408	—	—
Illinois	4,105,123	3,928,604	—	—
Indiana	1,518,922	1,453,608	—	—
Iowa	819,031	781,462	—	—
Kansas	844,151	805,431	—	—
Kentucky	933,997	887,729	—	—
Louisiana	1,081,412	1,034,911	—	—
Maine	272,228	260,522	—	—
Maryland	1,385,280	1,325,713	—	—
Massachusetts	2,458,895	2,337,095	—	—
Michigan	3,139,463	3,004,466	—	—
Minnesota	1,478,923	1,405,663	—	—
Mississippi	647,318	615,247	—	—
Missouri	1,501,019	1,436,475	—	—
Montana	209,391	200,387	—	—
Nebraska	564,188	521,131	—	—
Nevada	207,159	198,251	—	—
New Hampshire	264,760	253,375	—	—
New Jersey	2,005,626	1,906,278	—	—

State Student Incentive Grants (continued)[1]

State or Outlying Area	1985	1986	1986 Revised	1987
TOTAL	$76,305,787[2]	$72,732,000[3]	—	—[4]
New Mexico	385,561	368,982	—	—
New York	6,464,136	6,143,952	—	—
North Carolina	1,649,429	1,578,504	—	—
North Dakota	203,467	194,718	—	—
Ohio	3,011,220	2,881,738	—	—
Oklahoma	1,022,767	978,788	—	—
Oregon	982,312	933,650	—	—
Pennsylvania	3,360,887	3,194,411	—	—
Rhode Island	400,829	383,593	—	—
South Carolina	827,308	786,324	—	—
South Dakota	215,601	206,330	—	—
Tennessee	1,233,504	1,176,928	—	—
Texas	4,155,511	3,964,930	—	—
Utah	583,999	540,034	—	—
Vermont	190,756	182,553	—	—
Virginia	1,617,622	1,548,064	—	—
Washington	1,732,815	1,649,257	—	—
West Virginia	553,282	527,900	—	—
Wisconsin	1,583,971	1,515,860	—	—
Wyoming	127,393	121,915	—	—
District of Columbia	554,723	529,434	—	—
American Samoa	—	5,192	—	—
Guam	24,073	23,038	—	—
Puerto Rico	681,024	649,785	—	—
Pacific Islands	1,687	1,614	—	—
Virgin Islands	13,769	13,177	—	—
Northern Mariana	928	888	—	—

1/ Based on the State's share of national higher education enrollment.

2/ Includes funds reallocated from previous year.

3/ Reflects reduction of $3,268,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

4/ Activities for this program are not proposed for reauthorization.

THURSDAY, APRIL 10, 1986.

GUARANTEED STUDENT LOANS

WITNESS

C. RONALD KIMBERLING, ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

Mr. NATCHER. We will now take up the budget request for guaranteed student loans. We have before the committee at this time Mr. Ronald Kimberling, Assistant Secretary for Postsecondary Education.

Mr. Kimberling, before you give us your statement, who do you have with you there at the table?

INTRODUCTION OF WITNESSES

Mr. KIMBERLING. Thank you, Mr. Chairman. I have Sally Kirkgasler, to my left, the Director of the Office of Policy Development, Office of Postsecondary Education. To my immediate right, Mr. William Dingeldein, Deputy Director of the Budget Service, Office of Planning, Budget, and Evaluation. To Mr. Dingeldein's right is Dr. John Haines, Director of the Postsecondary Analysis Division of OPBE.

Mr. NATCHER. Thank you very much.

We will now be glad to hear from you, Mr. Kimberling.

[The statement of Mr. Kimberling follows:]

DEPARTMENT OF EDUCATION

Statement of the Assistant Secretary for

Postsecondary Education

on

Guaranteed Student Loans

Mr. Chairman and Members of the Committee:

It is a pleasure to be here to discuss the budget request for the Guaranteed Student Loan (GSL) account. Our budget request for fiscal year 1987 is $2,329,586,000, compared with a revised request for 1986 of $3,330,985,000. The 1986 revised level reflects a possible supplemental of $65,044,000 to cover a currently projected shortfall after implementation of sequestration. However, since the estimated shortfall is relatively small and subject to revision as actual costs are incurred, no supplemental is requested at this time.

The revised fiscal year 1986 level of $3.331 billion reflects the propensity for excessively high and possibly rising costs in the GSL program as it is currently authorized. Indeed, between 1980 and 1985--during a period of general spending restraint and generally declining interest rates--GSL net obligations more than doubled, rising from $1.5 billion to $3.9 billion. The major cost, interest subsidy payments, are tied directly to Treasury bill rates and loan volume. While the President's economic program has reduced interest rates substantially, an increase in loan volume--both in-school and in repayment--has increased costs associated with interest subsidies. In addition, despite expanded efforts to collect outstanding defaulted loans and reduce the incidence of default, default claims are expected to increase, primarily as a result of higher loan volume, from an already excessive level of $1.016 billion in 1985 to about $1.26 billion in 1986 and $1.377 billion in 1987. It is indeed unfortunate to see that more than a billion dollars of the GSL appropriations go toward paying off default claims, rather than supporting increased access to postsecondary education for today's students or reducing the deficit.

The 1987 Budget Request

The 1987 budget strategy for the GSL program is consistent with our overall philosophy for student aid of restoring the responsibility of the parents and the student in financing postsecondary educational costs. It also reflects our belief that many problems threaten the integrity of the program and undermine its equity and cost-effectiveness.

Since passage of the Middle Income Student Assistance Act of 1978, the traditional role of the parents and the student in meeting higher education costs has eroded with many higher-income families using low-cost, highly-subsidized GSLs to pay college costs. The general expansion in funding and eligibility for Federal student

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aid programs has also resulted in an excessive reliance on Federal student aid as a replacement for, instead of a supplement to, other sources of non-Federal financing of college costs. Depending on their costs, students are able to receive as much as $13,000 in Federal financial aid--much more than the full cost of attending a public or private four-year institution--thus encouraging college costs to rise. In addition, the integrity of the GSL program is threatened by rising interest subsidy costs, unnecessary borrowing, excessive bank profits, unnecessary payments to guarantee agencies, rising default costs, and program abuse. Our 1987 budget proposals would control excessive program costs and reduce Federal cost exposure, without reducing access to postsecondary education by needy students.

Our policy proposals are based on the following principles: that borrower costs should more closely reflect current credit market conditions; that Federal intrusion into the credit market should be limited to the degree necessary to ensure adequate access to student loan capital; that student borrowers, as the primary beneficiaries of the program, should bear their own interest costs; that lender yield should be based upon market conditions and not provide an excessive profit margin; and that borrowers, lenders, and the participating States and territories should bear a share of the responsibility for financing the administrative and default costs of the program. We estimate that under our proposals, over $9.3 billion will be borrowed in 1987 by about 3.9 million individuals, an increase in both loan volume and number of borrowers from 1985.

Proposals Affecting Borrower Eligibility

To ensure that Federal subsidies are allocated prudently while also eliminating program abuse, the following legislative changes are proposed.

-- For the regular GSL program, the need analysis requirement would be extended to all family income levels, thus helping to eliminate unnecessary borrowing while ensuring that Federal subsidies are available only to the extent that students demonstrate financial need. This change has been endorsed by many higher education organizations and is under serious consideration by congressional authorizing committees. In addition, a single need analysis system for all Federal student aid programs would improve program integrity and efficiency while helping to restore an appropriate financing role for students and their parents.

-- Students below the age of 23 would be classified as dependent on their parents unless they are orphans or wards of the court, or can demonstrate self-sufficiency for the two years prior to the year of application. The current three criteria involving living status, acceptance of parental assistance, and dependency status on parental tax returns would also apply (regardless of the student's age) to the award year and the two years prior to the award year.

-- Only recipients of a high school diploma or its equivalent would be eligible for student assistance. This requirement would focus aid on those with adequate academic preparation and would eliminate abuses which have been documented by the General Accounting Office.

-- Eligibility for PLUS loans would be expanded to include all otherwise eligible students and their spouses regardless of the student's educational level. In addition, PLUS loan limits would be increased to $5,000 annually for each eligible student and $25,000 cumulatively, not including regular loan amounts. The PLUS loan maximum repayment period would be extended from 10 to 15 years, and lenders could offer borrowers consolidated PLUS loans, thus decreasing borrower repayment burden and lender administrative costs.

Proposals Affecting Borrower Costs

Currently, the borrower's interest rate for regular GSLs is a flat eight percent, although the Federal Government pays this interest while the student is in school and during grace and deferment periods. The interest rate for PLUS loans is 12 percent throughout the life of the loans. These rates remain constant, regardless of current or future market conditions. This results in students unnecessarily borrowing GSLs when market interest rates are high, rather than relying on their own resources or non-Federal aid sources. Conversely, when market interest rates are low, borrowers are unfairly penalized by the non-responsiveness of GSL borrower interest rates to more favorable market conditions. For example, the borrower interest rate on new PLUS loans of 12 percent substantially exceeds the current Treasury bill rate plus 3 1/2 percent.

Our proposal would set the borrower's interest rate on regular loans at the average of 91-day Treasury bill rates for the quarter ending March 31 prior to the academic year for which the loan is made. This rate would be fixed through the end of the second year of repayment at which time a new rate would be negotiated with the lender, subject to a cap of the prevailing 91-day Treasury bill rate plus three percent. Interest rates for PLUS loans would be negotiated with the lender, subject to a cap of the 91-day Treasury bill rate plus three percent (fixed when the loan is made or variable over the life of the loan). These provisions would more closely tie the borrower's cost to prevailing market conditions, thus reducing Federal intrusion into the credit market and improving the efficiency of the program.

To further reduce Federal subsidy costs while ensuring that students, as the primary beneficiaries of the program, bear an appropriate share of the cost of the program, interest benefit subsidy payments made on behalf of the borrower during the in-school, grace, and deferment periods would be eliminated. Students would have the option of paying the interest as it accrues, borrowing additional amounts to cover the accrued interest, or having the interest capitalized. The current five percent loan origination fee paid by borrowers to help defray interest subsidy costs would be eliminated.

Borrowers would be charged guarantee fees for both regular and PLUS loans. These fees, equal to five percent on regular loans and one percent on PLUS loans, are necessary to cover estimated default and other Federal costs associated with each year's cohort of borrowers. For the PLUS program, the combination of the guarantee fee and other proposed program changes would make the PLUS program self-financing.

Proposals Affecting Lenders

Beginning with the 1986-87 academic year, lenders would be required to disburse funds at least twice during the award year. Interest benefits and special allowance payments would be based on loan amounts actually disbursed, instead of the current practice of paying lenders based on the total approved loan amounts, including undisbursed amounts. These changes would relate disbursements more closely to the borrower's actual need for funds during the academic year, would reduce the amount of default for students who drop-out, and would eliminate unnecessary Federal subsidy costs.

In addition, the current GSL program provides lenders with a yield of 3 1/2 percent above the 91-day Treasury bill rate. Lenders receive this high variable yield for the entire life of the loan while remaining 100 percent insured from the risk of default, death, disability, or bankruptcy. This yield is so attractive to lenders that many actively seek borrowers through advertising and direct mail campaigns. One lender even offered borrowers the added incentive of up to $200 in cash for taking out a GSL.

The Administration proposes, beginning with the 1986-87 academic year, to revise the special allowance formula for new regular loans. Lenders would receive a total fixed--in place of a variable--yield equal to the average 91-day Treasury bill rate for the quarter ending March 31 prior to the award year for which the loan is made--plus 3 percent while loans are in-school and through the second year of repayment. No special allowance would be paid on loans beginning with the third year of repayment. These changes would stabilize the special allowance rates at a constant percent of loan principal, thus separating Federal costs from credit market conditions. Beginning with loans made for the 1986-87 academic year, no special allowance would be paid on PLUS loans.

To ensure that lenders share, to a limited extent, the cost of defaults, the Administration is proposing that loan insurance be limited to 90 percent of unpaid interest and principal instead of the current rate of 100 percent. This provision would encourage lenders to improve their loan servicing and debt collection procedures so as to minimize the incidence of default.

Proposals Affecting Guarantee Agencies

Guarantee agencies receive substantial financial support from the Federal Government to operate the GSL program. Currently, agencies shoulder little or no cost exposure for defaults. Death, disability, and bankruptcy claims are reimbursed at 100 percent by the Federal Government. In addition, agencies are authorized to receive Federal administrative cost allowances of up to one percent of new loan volume, are authorized to charge the borrower an insurance premium of up to one percent of the loan principal for each year the loan is outstanding, received interest-free loan advances from the Department, are allowed to retain the interest earned on these advances, and retain up to 30 percent of their collections on defaulted loans to cover collection costs. These payments allow the agencies to finance virtually all of their activities with Federal funds.

Our proposals would require that States and territories bear part of the responsibility for financing the administration of the GSL program and would encourage agencies to restrain administrative and default expenditures. This would be accomplished by revising the reinsurance provisions for regular and PLUS loans. The maximum reinsurance level would be reduced from 100 percent to 90 percent of any default claim. For agencies with poor collection records, the reinsurance levels would be reduced from 90 to 80 percent or in some instances to 70 percent, depending on the ratio of the agency's cumulative net defaults to the cumulative amount of loans having entered repayment as of the end of the prior year. This new reinsurance formula would encourage guarantee agencies to prevent defaults and improve collections by imposing greater financial penalties than under current law for inadequate agency default and collection measures, by rewarding agencies for default collections, and by ensuring that agencies incur at least a small insurance cost for each defaulted loan.

In addition, agencies would no longer receive the two direct administrative cost allowances or additional loan advances and would be required to repay all outstanding advances, currently totalling $163 million, by the end of 1987. Elimination of the administrative cost allowances would require agencies to bear partial responsibility for financing the administration of the program. Loan advances are no longer necessary to help establish or maintain agency reserve funds. Agencies would still be authorized to retain up to 30 percent of default collections and charge insurance premiums to help defray their administrative costs. These changes would provide more equitable cost-sharing between the Federal Government and the agencies while providing incentives for controlling administrative costs.

Other proposals to address defaults and improve collections include: establishing a loan consolidation program which would combine regular GSLs, PLUS loans, and National Direct Student Loans held by a borrower into a single, consolidated loan with repayment extended up to 25 years; selling a portion of the GSL defaulted loan portfolio to private collection agencies after other collection efforts have failed: implementing a variety of administrative changes, such as requiring debt counseling of prospective borrowers, and requiring co-payable checks; and, extending the highly successful IRS income tax refund offset authority.

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In sum, the amendments I have outlined here would continue to provide access to loan capital for needy students while reducing Federal cost exposure, strengthening the integrity of the GSL program, and reducing the Federal budget deficit.

I will be pleased to respond to any questions members of the Committee may have on our budget request.

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DEPARTMENT OF EDUCATION

Office of Postsecondary Education

Biographical Sketch

NAME : C. Ronald Kimberling

POSITION : Assistant Secretary for Postsecondary Education

BIRTHPLACE AND DATE : Cleveland, Ohio September 24, 1950

EDUCATION : California State University, Northridge, Calif. 1972, B.A.
University of Southern California, Los Angeles, Calif., 1974, A.M. in American Studies
California State University, Northridge, Calif. 1977, A.M. in Mass Communication: Journalism
University of Southern California, Los Angeles, Calif., 1977, A.M. in English
University of Southern California, Los Angeles, Calif., 1981, Ph.D. in English

EXPERIENCE :

PRESENT : Assistant Secretary for Postsecondary Education

1985 - 1986 : Acting Assistant Secretary for Postsecondary Education
1982 - 1985 : Deputy Assistant Secretary for Higher Education Programs, Office of Postsecondary Education, U. S. Department of Education
1982 - 1982 : Executive Secretary, Office of the Secretary, U. S. Department of Education
1981 - 1982 : Deputy Executive Secretary, Office of the Secretary, U. S. Department of Education
1978 - 1981 : Director of Enrollment Services, University of Southern California, Los Angeles
1975 - 1979 : Assistant Professor, Department of Journalism, California State University, Northridge
1973 - 1978 : Teaching Assistant, Department of English, University of Southern California, Los Angeles
1972 - 1974 : Editor/News Reporter, City News Service, Los Angeles, California
1972 - 1973 : News Director, KCSN-FM, Northridge, California

ACADEMIC AND PROFESSIONAL MEMBERSHIPS : American Association of Collegiate Registrars and Admissions Officers
Popular Culture Association
Kappa Tau Alpha-Journalism Honor Society
Phi Kappa Phi Honor Society

SUMMARY OF OPENING STATEMENT

Mr. **KIMBERLING**. Thank you, Mr. Chairman. It's a pleasure to discuss our budget request for the Guaranteed Student Loan account. For Fiscal Year 1987 we are requesting $2.33 billion compared with a revised request for 1986 of $3.33 billion. This 1986 revised level reflects a possible supplemental of $65 million which might be needed to cover a possible shortfall. But since this shortfall is relatively small and subject to revision as actual costs are incurred, we are not requesting that supplemental at this particular time.

We are attempting in our proposal to deal with the excessively high and possibly rising costs in the Guaranteed Student Loan program, as it is currently authorized. Between 1980 and 1985 GSL obligations more than doubled, rising from $1.5 billion to $3.9 billion. The major costs in this program include interest subsidy payments which are dependent upon T-bill rates and loan volume.

We also are anticipating as a major cost increase an increase in the default claims under this account from a level, which we feel is excessive, of a little over $1 billion in 1985 to about $1.26 billion in 1986 and $1.377 billion in 1987.

We are, Mr. Chairman, proposing a number of changes in the structure of this program. These changes in some cases affect borrower eligibility, borrower costs, lenders, and State guarantee agencies, which are all participants in this program. We feel that these changes would help to curtail the costs while at the same time providing access to GSL funds and to PLUS program funds for needy students in order to help them meet their college and university costs while helping us address the Federal budget deficit problem.

I would be pleased to respond to any questions that you or other members have.

REDUCTION FOR SEQUESTER

Mr. **NATCHER**. Thank you, Mr. Kimberling. For 1986 you show $34,059,000 as being sequestered under the guaranteed loan program. If you will, briefly describe how you calculated this reduction.

Mr. **KIMBERLING**. Thank you, Mr. Chairman. As you know, the Congress, under Gramm-Rudman-Hollings, did provide a special formula for reductions in the Guaranteed Student Loan program. Instead of imposing an across-the-board percentum reduction in appropriations, since so many of the dollars in the Guaranteed Student Loan program cover default costs, interest benefits and special allowance costs, the Congress felt that special rules needed to apply.

The principal change that applies under Gramm-Rudman-Hollings is that the origination fee charged to borrowers increases by one-half of one percent of the loan amount. In addition, all loans that are made on or after March 1, 1986, would have the special allowance payment to the lender reduced by four-tenths of one percent for a period of four quarters from the quarter in which the loan was originated.

Our estimates of the sequestration amounts were made by applying these special rules to projected loan volume.

Mr. **Natcher**. Are there savings in 1987 as a result of changes made in 1986 under sequestration?

Mr. **Kimberling**. Mr. Chairman, there would be a modest amount of savings in 1987 resulting from the lower special allowance payments made for new loans originated in 1986.

Mr. **Natcher**. Can you give us any idea, an estimate?

Mr. **Kimberling**. I think we would need to furnish that for the record, with your permission, Mr. Chairman.

Mr. **Natcher**. That's all right.

Mr. **Kimberling**. Particularly, insofar as the loan volume hasn't all been lent yet.

Mr. **Natcher**. All right. Suppose you do.

[Information to be supplied follows:]

1987 Savings From 1986 Sequester

We currently project that the Fiscal Year 1986 sequester pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 will result in savings of $15,423,000 in 1987 budget authority and $39,929,000 in 1987 outlays.

NEED FOR A SUPPLEMENTAL

Mr. **Natcher**. Will supplemental funds be required for this program in Fiscal Year 1986?

Mr. **Kimberling**. We have as a contingency placed a $65 million supplemental in our budget request. At this juncture we're studying the loan volume, current T-bill rates and other factors that affect the costs of this program very carefully. We do not at this point believe that we need a supplemental appropriation. We will keep the Congress fully apprised of the need for funds in this program. Should the need arise for a supplemental we are prepared to submit a request. But knocking on wood, we don't think it's needed at the moment.

STATUS OF PROPOSED LEGISLATION

Mr. **Natcher**. What is the status of the proposed legislation for guaranteed loan program?

Mr. **Kimberling**. We have submitted our proposed legislation for the Guaranteed Student Loan program to the authorizing committees of both the House and the Senate.

DEFICIT REDUCTION ADMENDMENTS OF 1985

Mr. **Natcher**. Congress, as you know, recently passed the Deficit Reduction Amendments of 1985. How is the guaranteed loan program affected by these amendments?

Mr. **Kimberling**. There are a number of changes, Mr. Chairman, let me summarize them. One of the requirements is that borrowers who have defaulted on any previous loan under this program or who owe a refund on a Pell Grant to any institution would be prevented from new borrowing. Current law simply prohibits borrowing if one is in default at the same institution.

Another change that would be effected is that the amount of time that State agencies and lenders could hold defaulted loan paper before requesting default payments would change from 210 to 270 days for guarantee agencies, and from 120 to 180 days for lenders.

Multiple disbursements would be required. Under this particular provision, any loan of more than $1,000 for a program or course of study which exceeds six months would have to be disbursed in at least two equal payments. The check would have to be made payable to the borrower but mailed to the institution. This is an area that there was much discussion of last year and an area where some abuse has taken place.

There are other provisions that affect borrowers, lenders and guarantee agencies. We're in the process of sorting them out now and communicating with all the affected parties so that we can smoothly and effectively implement these changes. They are designed to reduce program costs without reducing access to loans.

FISCAL YEAR 1987 FUNDING REQUIREMENTS

Mr. **NATCHER**. How much would be required for the guaranteed student loan program for Fiscal Year 1987 based on current law?

Mr. **KIMBERLING**. Dr. Haines, I believe could respond.

Mr. **NATCHER**. What would you say, Dr. Haines?

Mr. **HAINES**. Because of the Reconciliation act that we have just been discussing, that number has become a moving target recently and we do not have an estimate for 1987 that would take into account these last-minute changes. We will be producing that estimate in the future, but we don't have it right now. I can give it to you on the basis of prior-to-reconciliation. That number is $3.564 billion.

Mr. **NATCHER**. All right. Mr. Pursell, I yield to you.

GSL DEFAULTS

Mr. **PURSELL**. Tell me a little bit—you commented earlier—about the default problem historically here. I know some years ago we had some real serious problems there. Could you summarize the reason for that?

Mr. **KIMBERLING**. Well, Mr. Pursell, approximately one out of ten individuals defaults on a guaranteed student loan at some point in repayment. And that figure has remained reasonably stable plus or minus a point or two in the last few years. We recently have noticed a disturbing trend where this gross default rate has increased as high as 11 percent or more.

One of the problems we have is that we have more than $40 billion worth of outstanding loans and we have more paper maturing as students graduate and begin entering their repayment period—Currently outstanding loan volume is something on the order of $37 billion, but it is projected to rise to something like $48 billion in this upcoming Fiscal Year. So it's like a freight train coming down the road with a lot of cars on it. You know, we might only see the engine and the coal car now, but there are a whole bunch of other cars lined up.

That makes it even more difficult to deal with the default costs in this program because even if the default rate does not change, the sheer amount of volume of loans that are made that are now entering repayment will make it even more difficult to curtail default costs.

DEFAULT COLLECTIONS

Mr. **Pursell**. How many staff does it take to handle that whole operation?

Mr. **Kimberling**. At the Federal level, Mr. Pursell, we have in our Debt Collection and Management Assistance Service some 332 employees currently whose principal role is to collect on defaults. That includes housing and facility loans and some systems support and quality control support.

In addition to that, we have just let six private sector collection contracts this month. These are new contracts. We contracted with three private sector collectors in 1981, and we feel the new contracts have some incentive prods in them which will help. As you probably have been reading, we've entered into agreement with the IRS to offset the tax refunds of defaulters, and as of the end of last week we realized more than $60 million in collections from this IRS offset plan.

Just to give you some perspective on that, our total Federal collections——

Mr. **Pursell**. IRS identifies the problem and reports that information to you and then you collect——

Mr. **Kimberling**. No, sir. We certify defaulted accounts and provide the IRS with the computer tape of the amount owed and then they deduct that from the tax refund. So we're the lead agency in certifying the defaulted accounts, and we're the collecting agency of record. The IRS is simply handling the numbers.

Mr. **Pursell**. Do you expect those outside contracts to be expanded if that's successful? Are you doing that? What kind of line-item appropriation are you using for contracts or services? Are you asking for additional money in that area?

Mr. **Kimberling**. To the best of my recollection, that would require $9.4 million taken from the SLIF fund, and it's part of our budget request. Some of the other contract expenses come out of our S&E accounts, and I don't know what a precise figure is there. But I do know that they're returning significant dollars for every dollar spent.

In general, as a rule of thumb, at the Federal level we get $10 back for every dollar spent on collection activities, and that includes Federal employees, systems support, contractors, you name it.

But we don't want to give you the impression we're the total collector. We're really the collector at the end of the train. Under the Guaranteed Student Loan program the lender has the first and primary responsibility to collect, and only if they fail after application of due diligence do they then pass it on to a State agency and only if they fail—and they don't fail that often, they collect a sizable amount of money—do we get it. We get the oldest paper and the most seriously defaulted paper, and we're still getting money.

Mr. **Pursell**. And the professional staff at that last level of collection, is there staff at that level? Do you have any major vacancies?

Mr. **Kimberling**. We feel we have very adequate staff to meet our collection responsibilities and the proof of the pudding is that we're collecting significantly more dollars every year. In '81, $45 million was collected. Last year it was $93 million. And this year we're going to at least double last year's collection.

Mr. **Pursell**. I guess that's all the questions I have. Thank you, Mr. Chairman.

STATUS OF AUTHORIZATION

Mr. **Natcher**. Are all parts of the Guaranteed Loan Program authorized for 1987 under current law?

Mr. **Kimberling**. Mr. Chairman, we feel that there are some provisions that are authorized—excuse me, I may have misunderstood the question. All parts of our proposal are authorized under current—no?

Mr. **Natcher**. No. Are all parts of the Guaranteed Loan Program authorized under current law?

Mr. **Kimberling**. For Fiscal Year 1987?

Mr. **Natcher**. Under current law.

Mr. **Kimberling**. Current law would expire with respect to some provisions of the Guaranteed Student Loan program. Other provisions of the Guaranteed Student Loan program would be extended through Fiscal Year 1987.

Mr. **Natcher**. If your proposed Guaranteed Loan program changes are not enacted by the end of Fiscal Year 1986, your justifications indicate an amount of $3.46 billion will be required for 1987.

Mr. **Kimberling**. I believe Mr. Dingeldein can respond.

Mr. **Dingeldein**. That's correct, Mr. Chairman, our justification shows that estimate for current law. We will be producing a new estimate, reflecting Reconciliation, soon.

Mr. **Natcher**. Assuming no further changes in the current law for Guaranteed Student Loans, would you summarize for the record the current trend and expenditures compared with three years ago for the following activities: in-school interest benefits, special allowance interest subsidies, loan default and other claims costs, administrative cost allowance, and reserve payments to guaranteed agencies.

Mr. **Kimberling**. Thank you. We will.

[Information to be supplied follows:]

HISTORICAL TRENDS IN GSL PROGRAM COSTS

[In millions of dollars]

	1983	1984	1985	1986 projected
Interest benefits	$1,264	[1] $1,200	$1,866	$1,720
Special allowance	1,072	1,357	[2] 1,500	[2] [3] 1,038
Default costs	486	749	1,016	1,260
Death, disability, and bankruptcy costs	32	39	44	51
Administrative cost allowances	53	65	51	3
Loan advances to guarantee agencies	16	21	59	

[1] Represents actual interest benefits accrued. Origination fee receipts of $311,370,000 in 1984 were retained by lenders to offset interest benefits.

[2] Represents actual special allowance earned. Origination fee receipts of $414,300,000 in 1985 and $479,107,000 projected in 1986 were used to offset special allowance.

[3] Reflects a projected reduction of $4,952,000 in special allowance pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, Public Law 99–177.

COST OF INTEREST BENEFITS

Mr. **Natcher**. How much of the 1987 cost of the Guaranteed Loan program relates to in-school interest payments to lenders? Can you give us some figure on that?

Mr. **Kimberling**. Mr. Chairman, that would be $1.110 billion.

Mr. **Natcher**. Mr. Pursell, do you have additional questions?

Mr. **Pursell**. None, Mr. Chairman.

Mr. **Natcher**. Mr. Kimberling, we want to thank you and your associates for appearing before us at this time on behalf of your budget request for Fiscal Year 1987 for the Guaranteed Student Loan program. It has been a good hearing. Thank you very much.

Mr. **Kimberling**. Thank you, Mr. Chairman.

Mr. **Natcher**. The committee will now adjourn until Monday at 2:00.

[The following questions were submitted to be answered for the record:]

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AMOUNT OF OUTSTANDING GSLS

Mr. Natcher: What is the estimated total amount of outstanding student loans that will be receiving in-school interest benefits for 1986 and 1987?

Dr. Kimberling: Under current law, the Department of Education expects to pay in-school interest benefits for about $23 billion in Guaranteed Student Loans (GSLs) in 1986, and $25.5 billion in 1987.

ORIGINATION FEES

Mr. Natcher: What is the estimated amount of loan origination fee revenue in 1985, 1986, and 1987?

Dr. Kimberling: Receipts from GSL origination fees amounted to $414.3 million in 1985. We currently anticipate receipts of $450 million in 1986 and $499 million in 1987. Origination fees are used by lenders to offset special allowance billings, rather than returned to the GSL account.

EFFECT OF TREASURY BILL RATE DECREASES

Mr. Natcher: How much savings in special allowance interest expenses can be attributed to anticipated lower 91-day Treasury bill rates in 1986 and 1987?

Dr. Kimberling: Under our currently outstanding loan volume, a one percent drop in the 91-day T-bill rate represents a savings of about $370 million in 1986 special allowance payments. Of course, as outstanding loan volume increases in future years, the amount of savings associated with a one percent decline in T-bill rates will increase.

DEFAULT CLAIMS

Mr. Natcher: On page 97 of the justifications, you indicate an increase in the number of default claims for 1987. Would you briefly explain why default claims are expected to rise in 1987 under the Student Loan and under the Auxiliary and Parent Loan program?

Dr. Kimberling: The projected default increase reflects the increase in loan volume now entering the early years in repayment, and thus becoming subject to default, resulting from surges in new loans made since 1978. Also, borrowers in the earliest years of repayment tend to have a higher propensity to default. This propensity may result from communications problems between the schools, lenders and borrowers; misunderstandings of repayment terms; unemployment upon leaving school; inadequate lender collection efforts; or poor borrower attitudes toward debt repayment.

Increases in default claims for PLUS loans can also be attributed to increasing loan volume in this component of the GSL program. PLUS loan volume increased from $30 million in 1981 to $497 million in 1985. Although the PLUS loan net default rate remains low (1.1 percent in 1985), increasing loan volume directly results in increasing default claims.

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PLUS PROGRAM

Mr. Natcher: What is your current estimate of the total Auxiliary and Parent Loans that will be in repayment during 1986 and 1987?

Dr. Kimberling: At the end of fiscal year 1985, $845 million in PLUS loans were in repayment status. We currently estimate that by the end of 1986, $1.157 billion in PLUS loans will be in repayment. This number will have risen to $1.517 billion by the end of 1987.

ADMINISTRATIVE COST ALLOWANCES

Mr. Natcher: What is the status of payments to the guarantee agencies for administrative cost allowances for 1985 and 1986?

Dr. Kimberling: As a result of the 1985 and 1986 funding insufficiencies, the Department suspended all administrative cost allowance (ACA) and loan advance payments for 1985 and 1986 to conserve funds to meet mandatory program costs. We are currently in the process of revising our GSL cost-estimates for 1986 based upon legislation contained in the recently-enacted Reconciliation Act of 1985 to determine the availability of funds to pay all GSL costs, including ACAs. We will forward to the Committee the results of our re-estimates of costs as soon as the re-estimation is completed. I would like to add, however, that we continue to believe that ACA payments to guarantee agencies are not necessary, and our reauthorization proposals include the repeal of the ACA authority.

Mr. Natcher: Do you have any information on the effect of not paying administrative cost allowances to guarantee agencies?

Dr. Kimberling: The Department does not have any information to indicate that the suspension of administrative cost allowance payments to guarantee agencies has affected their operations. Agencies receive funds from a variety of sources, including State appropriations, reinsurance payments and investments. They are also authorized to retain up to 30 percent of default collections and can charge insurance premiums to help defray their administrative costs. We do not expect any guarantee agency to drop out of the program as a result of non-payment of administrative cost allowances.

DEFAULT COLLECTIONS

Mr. Roybal: How effective have the Department's efforts been in collecting delinquent student loans? Has there been any decrease in the default rate?

Dr. Kimberling: The Department's efforts in collecting defaulted student loans have been extremely successful. For example, in fiscal year 1985 the Department collected approximately $87 million in defaulted GSLs, and approximately $5 million in defaulted National Direct Student Loans (NDSLs). We anticipate collections of $62 million in GSLs in 1986.

In addition, we are currently participating in a pilot project with the Internal Revenue Service (IRS) which allows the use of income tax refund offsets to collect on defaulted student loans. We expect to offset $90 million from defaulted GSL accounts, and $26 million in defaulted NDSLs in 1986.

The default rate in the NDSL program has been declining over the last six years from a high of 11.9 percent to the current rate of 8.96 percent. On the other hand, the net default rate for the GSL program has fluctuated from a high of 10.1 percent in fiscal year 1980 to a low of 8.2 percent in fiscal year 1984. However, the net default rate rose to 8.9 percent in fiscal year 1985. We expect that this rate will continue to rise slightly in the next few years as more loans enter repayment and proportionately more defaults occur in relation to outstanding loan volume.

PLUS PROGRAM

Mr. Roybal: The Department proposes expanding the PLUS program to encourage parents and independent students to take advantage of this largely unsubsidized loan program. Don't low income students have difficulty obtaining PLUS loans because they cannot meet the credit requirements? Do you have any estimate as to the average income level of students obtaining PLUS loans?

Dr. Kimberling: The Department does not have any evidence of students being denied PLUS loans due to lender credit requirements. The Student Loan Marketing Association (Sallie Mae), in conjunction with the Indiana National Bank and United Student Aid Funds, provides the PLUS Assured Access Plan for eligible borrowers regardless of economic conditions or geographic location. This program ensures that every eligible student can get a PLUS loan.

The Department does not collect information on the income level of students borrowing under the PLUS program, and therefore has no estimate of the average income level of PLUS borrowers.

Mr. Roybal: Has there been an increase in the number of lenders participating in the PLUS program? How does the Department propose to encourage more lenders to participate in the PLUS program?

Dr. Kimberling: The Department has and will continue to encourage lending institutions to offer PLUS loans. The PLUS program operates in all 50 States, American Samoa, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, the Trust Territory of the Pacific Islands, and the Virgin Islands. 3,539 lenders are currently active in the program, which represents an increase of 176 lenders over the previous year. Approximately 192,000 PLUS loans were made in fiscal year 1985 for $512 million, an increase of about $140 million or 39 percent over the prior year.

Many guarantee agencies use aggressive marketing programs to encourage lender participation. Also, as stated above, Sallie Mae, the Indiana National Bank and United Student Aid Funds provide the PLUS Assured Access Plan for eligible borrowers regardless of economic conditions or geographic location.

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The Department's reauthorization proposal provides additional incentives which would promote the PLUS loan program. These include extending PLUS loan eligibility to include all otherwise eligible students and spouses of all students, regardless of the student's level of education, increasing PLUS loan limits to $5,000 annually and $25,000 cumulatively, extending the maximum repayment period from 10 to 15 years, authorizing lenders to charge up to $25 to cover the cost of credit checks on PLUS borrowers, permitting lenders to consolidate new PLUS loans and existing PLUS loans under a new 15-year repayment period, and clarifying the provision that interest accruing on PLUS loans can be capitalized, thus decreasing in-school borrower repayment burden.

INDEPENDENT STUDENT

Mr. Roybal: How will the Department's proposed change in the definition of an "independent student" reduce the rate of abuse in the GSL program? How widespread has this abuse been? How will this change make it easier for the Department to verify the status of students?

Dr. Kimberling: The Department's proposed change to the independent student definition would require that any student who is under 23 years of age be considered dependent on his/her parents unless he/she is an orphan or ward of the court or can demonstrate self-sufficiency for the two years prior to the year of application. The current three-question criteria involving living status, income from parents, or reporting on parental income tax returns would also be applied regardless of age to the award year and two years prior to the award year. Also any student under the age of 30 who claims to be independent would have to submit parental income tax forms for the two years prior to the year of application.

These changes will provide a stricter and more easily verified definition of independence. Under the current definition, many students who actually receive assistance from their families are able to claim independent student status, and thus qualify for more aid than needed. Although no data on such abuse in the GSL program are available, recent studies of the Pell Grant program indicate that approximately $64 million in error was attributed to students who claimed independence from their parents but were otherwise dependent. Such evidence suggests that widespread abuse must also take place in the GSL program. The use of age and income tax returns as verifiable criteria for determining independence will improve upon our ability to check a student's status.

Mr. Roybal: How does the Department's definition of an "independent student" compare with the definition in the House Higher Education Reauthorization bill?

Dr. Kimberling: The Department's proposal would require all students who seek independent student status to (1) have not lived with parents for more than six weeks, (2) have not been claimed as a dependent on parents' tax return, and (3) have not received more than $750 in aid from parents, in the current and two prior years. Additionally, any student under 23 would have to demonstrate self-support for the two prior years. Only orphans and wards of the court would be automatically granted independent student status.

In contrast, the more lenient House Higher Education Reauthorization proposal would eliminate the three-question criteria described above. As in the Department's proposal, a student who is under 23 would have to demonstrate self-support for the two prior years. Any student who is 23 or older, married, an orphan, a ward of the court, a veteran, a graduate student, or unmarried but with dependents would automatically be granted independent student status.

LEGISLATIVE PROPOSALS

Mr. Hoyer: Dr. Kimberling, how does your legislative proposal for the GSL program differ from last year's proposal?

Dr. Kimberling: The legislative proposals included in the Department's fiscal year 1987 budget request for the GSL program are quite complex. Highlights of differences from the Department's fiscal year 1986 budget request include the following:

-- a provision to establish a single need analysis system for determining eligibility for all Federal student aid programs would be extended to all family income levels. The fiscal year 1986 budget request did propose extending need analysis to all family income levels but not under a single need analysis system. The fiscal year 1986 request also proposed an income cap of $32,500 for students borrowing under the regular GSL program. Our current proposal offers no absolute income cap.

-- expanding PLUS loan limits to $5,000 annually and $25,000 cumulatively. The fiscal year 1986 budget request proposed increasing loan limits to $4,000 annually and $20,000 cumulatively.

-- changing the computation of special allowance payments such that lenders receive a fixed yield using the most recent 91-day Treasury bill rate plus three percent during the in-school, grace, deferment, and for the first two years of repayment. No special allowance would be paid thereafter.

-- the in-school interest benefit provided to GSL borrowers would be eliminated. Borrowers would be responsible for paying the interest on their loans while in school in one of three ways: paying it as it accrues, having the interest capitalized and added to the principal; or borrowing additional amounts to cover the interest.

-- the current five percent loan origination fee would be eliminated.

-- lender loan insurance would be limited to 90 percent of the unpaid principal and interest of a borrower's loan.

-- the Federal Government's reinsurance of new guarantee agency regular and PLUS loans would be limited to 90 percent of any default claim, with the reinsurance level dropping to 80 percent or 70 percent depending on the ratio of

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the agency's net defaults to the cumulative amount of loans in repayment at the end of the prior year. The fiscal year 1986 budget request proposed limiting reinsurance on new loans to 90 percent, but dropping to 70 percent or 50 percent for agencies with serious default problems.

-- all eligible lenders would be authorized to combine regular GSL, PLUS and NDSL loans held by a single borrower into a single, consolidated loan with extended repayment of up to 25 years. The fiscal year 1986 budget request did not offer a loan consolidation provision.

-- a guarantee fee of five percent of each loan disbursement would be charged each borrower of regular GSLs to cover estimated default and other Federal costs. A similar fee equal to one percent of the loan amount would apply to PLUS borrowers.

-- students borrowing under the regular GSL program, the PLUS program, and the NDSL program would be subject to an aggregate cap of $50,000 of lifetime borrowing. The fiscal year 1986 budget request proposed a $4,000 annual mega cap for all Federal student aid, excluding PLUS loans.

SUPPLEMENTAL REQUEST

Mr. Hoyer: Doctor, on page one of your statement, you suggest that "the 1986 revised level reflects a possible supplemental of $65,044,000 to cover a currently projected shortfall after implementation of sequestration." You go on to say that, "No supplemental is requested at this time."

When will you have a better idea of whether a supplemental request is necessary?

Dr. Kimberling: We are not seeking a supplemental at this time. Due to changing Treasury bill rates, loan volume and other factors, it is not yet clear whether or to what extent a supplemental appropriation may be needed to meet these and/or GSL program costs. Updated economic assumptions from OMB which are more in line with actual experience will affect program costs. Also, as second quarter data on loan volume, origination fees, interest subsidy billings, default costs and collections become available within the next few weeks, we will be in a better position to re-estimate program costs and determine if a supplemental is necessary or not. We will forward to the Committee the results of our cost re-estimation and our assessment of the need for a supplemental as soon as these are completed.

DEFAULT RATES

Mr. Hoyer: It appears that you are very concerned over the default rates in the GSL program.

Specifically, what is the difference between the default "claims rate" and the cumulative "net default"?

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Dr. Kimberling: The default "claims rate" represents the ratio of default claims paid to lenders since the inception of the program to cumulative loans having entered repayment (also known as matured paper). The default "claims rate" does not reflect any collections made subsequent to loans entering default status.

On the other hand, the "net default" rate takes collection activity into account and is computed by subtracting cumulative collections from cumulative default claims paid to lenders and dividing the result by matured paper. This rate is a more accurate measurement of the current default situation in the GSL program.

Mr. Hoyer: Last year, you said that the "claims rate" was 10.7 percent as of September 30, 1984 and that the "net default" rate was 4.4 percent as of that same date.

What were the rates for September 30, 1985?

Dr. Kimberling: As of September 30, 1985 the lenders' default claims rate was 11.6 percent and the net default rate was 8.9 percent. Our definition of net default rate has been changed since last year. For comparative purposes, the September 30, 1984 net default rate, calculated using the new definition, was 8.2 percent.

Mr. Hoyer: What do you expect them to be for September 30, 1986?

Dr. Kimberling: We currently estimate that the lenders' default claims rate for fiscal year 1986 will be 12.5 percent and the net default rate will be 9.5 percent.

IRS OFFSET

Mr. Hoyer: It was recently reported in an educational newsletter that the Department in conjunction with the IRS has recently collected more than $4 million in default payments. This seems to be fairly effective.

Why then is the Department abandoning this approach?

Dr. Kimberling: The Department is not abandoning the use of the income tax refund offset program in collecting defaulted student loans. The authority to refer defaulted GSL and NDSL accounts to the IRS is effective through calendar year 1987. The Department is seeking legislation to extend this authority through 1991.

We anticipate total IRS offset collections of $116 million in 1986, $90 million from defaulted GSL accounts and $26 million from defaulted NDSL accounts. In 1987, we expect to offset $201 million in defaulted GSL accounts, and $28 million in defaulted NDSL accounts.

As of the week ending April 17, 1986 the IRS has offset approximately $74.3 million in defaulted student loan accounts.

POSSIBILITY OF INSURANCE PREMIUM INCREASE

Mr. Hoyer: Do you think that some leaders might charge an additional insurance charge to cover the costs of defaults?

Dr. Kimberling: Guarantee agencies may charge lenders an insurance premium to cover administrative costs and to offset default costs on student loans. The lender, however, may pass the cost of the insurance premium on to the borrower. The amount of the premium cannot exceed one percent per year of the outstanding principal balance. Currently, very few guarantee agencies charge their lenders the maximum insurance premium rate of one percent per year.

If defaults continue to rise as projected, those guarantee agencies who currently charge their lenders less than the maximum insurance premium may choose to raise their rates. However, we have no information to suggest that this would happen.

DEFAULTER CHARACTERISTICS

Mr. Hoyer: Has your Department done any studies on who are the major defaultors and why they default?

Dr. Kimberling: The Department has not conducted any studies which explain the characteristics of student loan defaulters or why certain individuals default. However, two studies were recently conducted by the New York and Virginia State guarantee agencies.

These studies, which were limited to borrowers in their respective States, suggested the following:

-- borrowers who were employed when their loans became due were more likely to begin repayment of their loans.

-- borrowers are most likely to default in the early years of repayment.

-- there was a strong inverse relationship between default and the number of years spent in school.

-- repayers tended to have borrowed more frequently and to have incurred greater indebtedness than borrowers in default.

-- repayers had slightly higher average attendance costs and received less in other financial aid than borrowers who had defaulted.

-- borrowers from low-income families are somewhat more likely to default.

The Department is currently beginning work on the National Postsecondary Student Aid Survey, which will include a component on GSL borrowers after they have left school. We hope this survey will help to improve our understanding of defaulter behavior.

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DEFAULT RATES

Mr. Hoyer: How does the default rate on GSLs compare to other loans?

Dr. Kimberling: It is quite difficult to make useful comparisons between GSL default rates and those of other loans, since different methods are used to measure defaults. The banking industry calculates an annual loss rate for consumer loans, while the Department calculates a cumulative net default rate. The loss rate for various types of loans fluctuates with the economy. In 1981, bank-reported losses on mortgages and installment loans was less than one percent. Loss rates on credit card transactions were about two percent that same year. However, federally-insured loans offered through the Small Business Administration have default rates ranging from five to 10 percent annually. The GSL net default rate was 8.9 percent as of September 30, 1985.

It is especially inappropriate to compare the default rate in the GSL program with default rates in other types of loans since the objective of the GSL program is to make low interest loans available to a high risk population who would not otherwise have adequate access to capital to finance their educations. Most student GSL borrowers could not receive consumer loans from lending institutions because they could not pass the required credit analysis. This major difference should be taken into account when comparing default rates between GSLs and other types of loans.

DEFAULT CLAIMS

Mr. Hoyer: Why do you expect default claims to increase?

Dr. Kimberling: The default increase reflects the increase in loan volume now entering the early years of repayment, and thus becoming subject to default, resulting from surges in new loans made since 1978. Also, borrowers in the earliest years of repayment tend to have a higher propensity to default. This propensity may result from communications problems between the schools, lenders and borrowers; misunderstandings of repayment terms; unemployment upon leaving school; inadequate lender collection efforts; or poor borrower attitudes toward debt repayment.

ADMINISTRATIVE COST ALLOWANCES

Mr. Hoyer: As I understand it the Senate budget eliminates administrative cost allowances for the State guarantee agencies.

Is this consistent with your legislative proposal?

Dr. Kimberling: The Domenici-Chiles resolution passed by the Senate Budget Committee assumes passage of the Consolidated Omnibus Budget Reconciliation Act of 1985, implementation of provisions included in S. 1965, the Higher Education Amendments of 1986 and three other proposals, including one which states that no administrative cost allowances (ACAs) would be paid to guarantee agencies after fiscal year 1987. We are also proposing repeal of the ACA authority, but assume no payments after fiscal year 1986.

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Mr. Hoyer: How much money will this save?

Dr. Kimberling: We are currently in the process of developing revised cost-estimates for the GSL program, including ACA costs, based upon data on actual second quarter program experience. We will forward to the Committee results of the re-estimation of costs, including the savings which would be achieved if no ACAs are paid.

LEGISLATIVE PROPOSALS

Mr. Hoyer: What other parts of your legislative package are included in the Senate budget?

Dr. Kimberling: Major GSL program provisions which are contained in the Administration's reauthorization proposals and are also assumed in one form or another in the Domenici-Chiles resolution include: (1) the recall of advances, (2) a requirement that lenders send student loan checks to schools; (3) mandatory multiple disbursement with no lender incentive; (4) reauthorization of a loan consolidation program; (5) financial audits of institutions and guarantee agencies; (6) credit bureau reporting requirements; (7) statute of limitation extensions; (8) required need analysis of all regular GSL borrowers; (9) reduced guarantee agency reinsurance; (10) reduced special allowance for lenders; and (11) increased loan limits.

However, I would like to point out that in some instances our proposals are not exactly the same as those in the Domenici-Chiles resolution. For example, we propose the return of all outstanding advances in fiscal year 1987; multiple disbursement of student--but not parent--GSLs; authorization of a less-costly, broader-based consolidated loan program; changes in the guarantee agency default rate trigger calculation in conjunction with the reduced agency reinsurance; increased PLUS--but not regular--loan limits, etc.

Also, the resolution does not include other Administration proposals which would restore adequate student and family responsibility for financing postsecondary costs and reduce program inequity, inefficiency and abuse. For example, we propose a more equitable and simplified need analysis system for all Title IV programs; more stringent independent student determination criteria; a high school diploma requirement; revised interest rate and special allowance rate determinations to reduce borrower and lender subsidization; increased cost-sharing between the Federal Government and other program participants; consumer information requirements; numerous debt collection improvement provisions, etc.

LENDER WITHDRAWAL FROM THE GSL PROGRAM

Mr. Hoyer: The Consumer Bankers Association, whose members administer more than 80 percent of all student loans, recently warned that, if your proposal is adopted, it would cause many of the lenders to withdraw from the program. Can you comment on this statement? Can you give me the names of the lenders or their officers who support your position? Please provide for the record along with their statements.

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Dr. Kimberling: Our proposals will not cause any significant drop in lender participation. The only lenders which might consider withdrawing from the program would be the smaller lenders. Such lenders make relatively few loans, and their withdrawal would have no impact on loan access. This conclusion is not based on the statements of lenders, since, of course, lenders would not tend to support a reduction in their yield, but rather on the conclusions of studies on lender yield and the current vigorous competition among lenders for borrowers.

We believe that lender yields on student loans under our proposal would still be competitive with other types of investments. The current yield is so great that some lenders compete to attract student borrowers with rebates and gifts. On August 20, 1985, a Wall Street Journal article described the GSL marketing practices of some banks, including free gifts of Sony Walkmans, alarm clocks and record albums to students. Other banks promote these loans through aggressive advertising and direct payments to school financial aid offices for each student borrower who is referred.

Moreover, passage of provisions to reduce the special allowance to as low as 3.1 percent under Gramm-Rudman-Hollings, to 3.0 percent on consolideted loans under Reconciliation, and to 3.25 percent on all loans under the Senate Committee on Labor and Human Resources' pending reauthorization bill, indicates that Congress supports reductions in this area.

BUDGET REQUEST

Mr. Conte: I think I may have a handle on your GSL budget request by now. It is for $3.460 billion under current law, and you have submitted a request to achieve savings of $1.115 billion through the enactment of legislation. I assume, then, that if this legislation is not enacted by the time we mark up our bill, then we are to use the current law figure as the basis of the request. Have I got the jist of it yet?

Dr. Kimberling: Yes, you have correctly interpreted our GSL budget request. However, the current services estimate of $3.460 billion for 1987 does not include the budget authority reduction of $15,423,000 which results from the 1986 sequester. The current services estimate for 1987 after sequestration is $3.445 billion. Also, we are currently revising our estimates to reflect actual program experience in the first two quarters of 1986, and implementation of the legislative changes included in the Reconciliation Act of 1985. We will provide the results of our re-estimation of costs to the Committee as soon as these are available.

SUPPLEMENTAL REQUEST

Mr. Conte: The President's budget indicates that a $65 million supplemental for GSLs is proposed for later transmittal. In your statement, you indicate it may not be necessary, and so has not been requested as of yet. When do you expect to know whether a supplemental will be necessary or not?

Dr. Kimberling: We are not seeking a supplemental at this time. Due to changing Treasury bill rates, loan volume and other factors, it is not yet clear whether or to what extent a supplemental appropriation may be needed to meet these and/or GSL program costs. Updated economic assumptions from OMB which are more in line with actual experience will affect program costs. Also, as second quarter data on loan volume, origination fees, interest subsidy billings, default costs and collections become available within the next few weeks, we will be in a better position to re-estimate program costs and determine if a supplemental is necessary or not. We will forward to the Committee the results of our cost re-estimation and our assessment of the need for a supplemental as soon as these are completed.

GRAMM-RUDMAN-HOLLINGS

Mr. Conte: Gramm-Rudman-Hollings has a specific provision dealing with how the GSL program gets affected by sequestration. Would you describe how that works, and indicate what impact you expect this year's Gramm-Rudman-Hollings cut to have on the program?

Dr. Kimberling: The Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177) provides for special treatment of the GSL program in the event that sequestration is required. Under this special treatment, the special allowance paid to lenders is reduced by 4/10 of one percent on all loans made between March 1, 1986 and September 30, 1986 for the first year of the loan. Also, an additional one-half of one percentage point origination fee will be charged to students on all regular loans made between March 1, 1986 and September 30, 1986. These adjustments will reduce budget authority by $34.1 million and outlays by $9.6 million in fiscal year 1986 but are expected to have negligible impact on program participation.

RECONCILIATION ACT

Mr. Conte: The Reconciliation Bill that was finally passed and signed into law contains a number of savings for the GSL program, amounting, I believe, to some $750 million over the next several years. Would you describe the changes enacted in the Reconciliation Bill, and indicate how these changes impact on the cost of the program in fiscal year 1986, and how they will affect the current law cost of the program in fiscal year 1987?

Dr. Kimberling: The major changes included in the Reconciliation Act include:

- The recovery of $75 million in outstanding advances in fiscal year 1988.
- A requirement that student loan checks be sent directly to schools (but co-payable checks are disallowed).
- Multiple disbursement of all GSLs with no lender incentive payments.
- A delay in guarantee agency/direct insurance lender submission of default claims to the Department.

- Reimbursement of supplemental pre-claims assistance costs incurred by guarantee agencies.

- Payment of administrative cost allowances.

- Authorization of a loan consolidation program.

- Pre-repayment by Sallie Mae of $30 million in Federal Financing Bank loans in fiscal year 1986.

- Required biennial financial audits of guarantee agencies and schools.

- Credit bureau reporting of all loans.

- The imposition of civil penalties in the case of lender or guarantee agency violations.

- Expanded Department authority to require/allow assignment or referral of defaulted NDSLs as well as expanded Departmental collection authority.

- Borrower payment of late payment penalties in the case of GSL and NDSL defaults.

- Additional Title IV borrower eligibility requirements including the use of social security numbers, prior Pell Grant application (for the GSL and NDSL programs) and not being in default on or owe a refund of Title IV aid at any school.

- Extension of the periods covered by statutes of limitation.

We are awaiting information on actual fiscal-year-to-date program experience before finalizing the impact of these changes on program costs in fiscal years 1986 and 1987. We will forward to the Committee the information you are requesting as soon as it is available.

EFFECT OF TREASURY BILL RATE DECREASES

Mr. Conte: Could you describe how the rapid decline in interest rates impacts on the cost of the GSL program, both with regard to new loans and existing loans?

Dr. Kimberling: The Department pays each lender in the GSL program a quarterly special allowance on all outstanding loans. The special allowance is equal to the bond equivalent rate on 91-day Treasury bill rate plus 3.5 percent minus the interest rate on the loan, and is paid on the unpaid principal balance of all eligible loans held by the lender. Under current outstanding loan volume, a one percent drop in the 91-day T-bill rate over the whole year represents a savings of about $370 million in 1986 special allowance payments.

BORROWER INTEREST RATE

Mr. Conte: Given the way the program is structured, is it fully able to take advantage of the decline in interest rates, or is there an artificial floor, which prevents the GSL rates from following the market interest rates?

Dr. Kimberling: Borrowers' interest rates on regular GSLs are set at a flat eight percent regardless of current market conditions. During periods of high market interest rates, the GSL rates are extremely attractive and encourage unnecessary borrowing. Conversely, when interest rates are low, as at present, borrowers are penalized by the non-responsiveness of GSL rates to more favorable credit market activity.

The Department's reauthorization proposal would set the borrower's interest rate on regular GSLs at the average 91-day Treasury bill rate for the quarter ending March 31 prior to the academic year for which the loan is made. This rate would be fixed through the second year of repayment, at which time a new rate could be negotiated with the lender, subject to a cap of the prevailing 91-day Treasury bill at that time plus 3 percent.

This provision would more closely tie the borrower's cost to credit market conditions, thus reducing the distortions of Federal intrusion into the capital market. Borrower rates would still be well below rates available on non-guaranteed loans, and borrowers would be able to take full advantage of declining market interest rates.

DEFAULT RATES/IRS OFFSET

Mr. Conte: In your statement, you indicate that the cost of paying off defaults has now risen above $1 billion and is still rising fast. What is the current default rate, and how does that compare with the historical average, and how is your new initiative to allow the IRS to withhold refunds to defaulters working?

Dr. Kimberling: As of fiscal year 1985, the net default rate in the GSL program was 8.9 percent. This rate represents a slight decline from a historic high of 10.1 percent in fiscal year 1980, but is slightly higher than the prior year's rate (fiscal year 1984) of 8.3 percent.

The Department's initiative to use the IRS to offset the refunds of students who have defaulted on their loans has been extremely successful thus far. We anticipate total IRS offset collections of $116 million in 1986, $90 million from defaulted GSL accounts and $26 million from defaulted NDSL accounts. In 1987, we expect to offset $201 million in defaulted GSLs, and $28 million in defaulted NDSLs. As of the week ending April 17, 1986, the IRS had offset approximately $74.3 million in defaulted student loan accounts.

IRS OFFSET

Mr. Conte: What projections did you have for income from that program, and how are those projections actually bearing out?

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Dr. Kimberling: The Department's current collection targets for the IRS offset program are the following:

(dollars in millions)

	1986	1987	1988	1989	1990	1991
GSL	$90	$201	$216	$231	$246	$261
NDSL	26	34	35	33	31	29
TOTAL	$116	$235	$251	$264	$277	$290

As of the week ending April 17, 1986, the Department had collected approximately $74.3 million through the IRS offset program. We anticipate that our target of $116 million for fiscal year 1986 will be met.

PLUS PROGRAM

Mr. Conte: In your legislative proposals, you basically end all interest subsidies, and you put an increased reliance on the PLUS loan. In fact, your figures show that you would expect PLUS loans to more than triple between 1985 and 1987. On what basis do you assume such a large increase in volume--what is there that all of a sudden would make this program that much more attractive?

Dr. Kimberling: The Department has and will continue to encourage lending institutions to offer PLUS loans. The PLUS program operates in all 50 States, American Samoa, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, the Trust Territory of the Pacific Islands, and the Virgin Islands. Around 3,539 lenders actively participate in the program. Approximately 192,000 PLUS loans were made in fiscal year 1985 for $512 million, an increase of about $140 million or 39 percent over the prior year.

Our proposed legislative changes to the PLUS program would further increase its attractiveness for both lenders and borrowers. Our proposals would:

- expand PLUS loan eligibility to include all otherwise eligible students and spouses of all students, regardless of the student's level of education.
- increase PLUS loan limits from current levels to $5,000 annually and $25,000 cumulatively.
- extend the maximum PLUS loan repayment period from 10 to 15 years, thus reducing borrower repayment burden.
- authorize lenders to charge borrowers up to $25 to cover the cost of credit checks.
- allow lenders to consolidate new and existing PLUS loans under a new 15-year repayment period.
- allow lenders to capitalize interest accruing on PLUS loans (i.e., added to the principal of the loan) thus eliminating in-school borrower repayment burden.

LOAN REPAYMENT

Mr. Conte: The NDSL income-contingent loan program would allow repayment of loans to be flexible based on post-graduation income. Would this repayment proposal extend to GSL loans as well, and would it allow loan consolidation?

Dr. Kimberling: The 1987 President's Budget proposal for Income-Contingent Loans restructures only the existing NDSL program, and does not extend to GSL. However, lenders are currently permitted to offer graduated repayment plans under the GSL program.

Our loan consolidation proposal would allow for consolidation of Income-Contingent Loans, but any such consolidation would subject the borrower to new loan terms and conditions--sacrificing income-contingent repayment.

LOAN CONSOLIDATION

Mr. Conte: Congress has been unable to enact a loan consolidation mechanism after the last one expired several years ago. Would you support loan consolidation, even if the rest of your legislative proposals did not get adopted?

Dr. Kimberling: The Department's proposed loan consolidation program would allow all eligible lenders to consolidate GSL and NDSL loans into loans with repayment periods of up to 25 years, market-sensitive interest rates and no Federal interest subsidization. Such a program would decrease monthly borrower repayment burden, help students manage payment of their debts, and possibly, decrease defaults. In addition, Federal subsidy costs would be reduced. While we believe that all of our legislative proposals have merit by restoring student and family responsibility for financing post-secondary costs or by eliminating program inequality, inefficiency and abuse, in principle, our consolidated loan proposal is self-standing enough that we would support passage of that proposal alone.

DEBT BURDEN

Mr. Conte: For the record, could you compare for us the repayment of a $20,000 debt burden under GSL under current law, compared with what it would be like under your legislative proposal, assuming a man or a woman getting out of college, getting a job for $20,000, with that income rising by a thousand dollars a year, and getting married after four years and having a couple of kids every two years after that.

Dr. Kimberling: Under the debt scenario suggested above, we assume the student would have borrowed the maximum allowed, $2,500, each year of a four-year undergraduate education, and $5,000 for each year of two years of graduate education.

The chart below details monthly payments and debt burden under current services and different options which would be available under our proposals. Payments as a percent of gross salary assumes that the student will earn $20,000 in year one, $21,000 in year two, $25,000 in year five, and $30,000 in year ten of repayment.

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		Proposed Policy		
	Current Law	Paying Interest As it Accrues	Annual Capitalization	Borrowing to Pay Interest
Monthly Payment while in-repayment:				
10 years:				
(Years 1-10)	$242.66	N/A	N/A	N/A
15 years:				
(Years 1-2)	N/A	$191.13	$247.99	$247.46
(Years 3-10)	N/A	223.41	289.87	289.25
Immediate Consolidation:				
(Years 1-25)	N/A	196.02	254.34	253.80
Delayed Consolidation:				
(Years 1-2)	N/A	191.13	247.99	247.46
(Years 3-27)	N/A	181.33	235.28	234.78
Payment as a Percent of Gross Salary:				
10 years:				
Year 1 - $20,000	14.6%	N/A	N/A	N/A
Year 2 - 21,000	14.3%	N/A	N/A	N/A
Year 5 - 25,000	11.6%	N/A	N/A	N/A
Year 10 - 30,000	9.7%	N/A	N/A	N/A
15 years:				
Year 1 - $20,000	N/A	11.5%	14.9%	14.8%
Year 2 - 21,000	N/A	10.9%	14.2%	14.1%
Year 5 - 25,000	N/A	10.7%	13.9%	13.9%
Year 10 - 30,000	N/A	8.9%	11.6%	11.6%
Immediate Consolidation:				
Year 1 - $20,000	N/A	11.8%	15.3%	15.2%
Year 2 - 21,000	N/A	11.2%	14.5%	14.5%
Year 5 - 25,000	N/A	9.4%	12.2%	12.2%
Year 10 - 30,000	N/A	7.8%	10.2%	10.2%
Delayed Consolidation:				
Year 1 - $20,000	N/A	11.5%	14.9%	14.8%
Year 2 - 21,000	N/A	10.9%	14.2%	14.1%
Year 5 - 25,000	N/A	8.7%	11.3%	11.3%
Year 10 - 30,000	N/A	7.3%	9.4%	9.4%

NOTE: All analyses assume 8 percent loan, constant T-bill of 8 percent, annual capitalization, discount rate of T-bill plus 3 percent, and multiple disbursement.

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Mr. Conte: Also under this scenario, what would the in-school interest costs be under your proposal, and what would the total interest costs be under both current law and your proposal?

Dr. Kimberling: Assuming the student paid the in-school interest as it accrued, the student would have the following monthly payments while he or she was is school:

	Monthly Interest Payment
Freshman	$12.50
Sophomore	29.18
Junior	45.87
Senior	62.53
Graduate School: Year 1	91.70
Graduate School: Year 2	125.04

Of course, if the student had the interest capitalized or borrowed to pay the interest, he or she would have no in-school monthly payments.

Under current law, the student would pay $9,119.20 in total interest costs on $20,000 in debt over the ten year repayment period. Under our proposal the student would pay $23,940.64, $31,171.48 or $31,062.04 in total interest on $20,000 in debt over the life of the loan, including the fifteen year repayment period, and assuming the student pays the interest as it accrues, has the interest capitalized annually or borrows in advance to pay the in-school interest, respectively. These greater amounts of total interest paid result from the student paying his or her own interest costs for the in-school period and from extending the repayment period from ten to fifteen years in order to reduce the monthly repayment burden.

LENDER WITHDRAWAL FROM THE GSL PROGRAM

Mr. Conte: I have a few other questions with regard to the legislative proposals. How many lenders do you expect to withdraw from the program due to decreased special allowance payments and loan default insurance? What would be their general characteristics, such as relative size, location, etc.?

Dr. Kimberling: Our proposals will not cause any significant drop in lender participation. The only lenders which might consider withdrawing from the program would be the smaller lenders. Such lenders make relatively few loans, and their withdrawal would have no impact on loan access. This conclusion is not based on the statements of lenders, since, of course, lenders would not tend to support a reduction in their yield, but rather on the conclusions of studies on lender yield and the current vigorous competition among lenders for borrowers.

We believe that lender yields on student loans under our proposal would still be competitive with other types of investments. The current yield is so great that some lenders compete to attract student borrowers with rebates and gifts. On August 20, 1985, a Wall Street Journal article described the GSL marketing practices

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of some banks, including free gifts of Sony Walkmans, alarm clocks and record albums to students. Other banks promote these loans through aggressive advertising and direct payments to school financial aid offices for each student borrower who is referred.

Moreover, passage of provisions to reduce the special allowance to as low as 3.1 percent under Gramm-Rudman-Hollings, to 3.0 percent on consolidated loans under Reconciliation, and to 3.25 percent on all loans under the Senate Committee on Labor and Human Resources' pending reauthorization bill, indicates that Congress supports reductions in this area.

Mr. Conte: If lenders withdraw from the program because of the program changes, how will full access to loans for all eligible borrowers be ensured?

Dr. Kimberling: While some small lenders may elect to cease participation in the GSL program if all of our proposals are implemented, their lack of participation will not have any impact on loan availability since these lenders do not make the majority of loans in the program. In fact, most loans are made by a small number of very large lenders, whose participation will not be affected by our proposals. For example, using data from fiscal year 1982, 85 lenders, or less than one percent of all 12,950 lenders in the program during that year, made GSLs totalling $2,773.4 million. This volume of lending represents 45.2 percent of all loans made during that year (excluding PLUS). This pattern of lending has not changed significantly since 1982.

DUE DILIGENCE

Mr. Conte: With regard to defaults, are guarantee agencies verifying whether the lending banks have exercised due diligence in pursuing defaulters prior to paying the claim?

Dr. Kimberling: Most guarantee agencies are now verifying whether banks have exercised due diligence prior to paying claims. In the past, we have identified instances when claims were paid by guarantee agencies without evidence in the file which would demonstrate that due diligence has been exercised by the lender. The revised GSL regulations being developed by the Department will require guarantee agencies to collect documentation from the lender to demonstrate that due diligence has been exercised by the lender in attempting to collect on delinquent loans.

Mr. Conte: What sanctions does the Department impose when lenders and guarantee agencies do not follow due diligence standards?

Dr. Kimberling: Due diligence standards are currently developed by the guarantee agency and approved by the Secretary. Compliance with those standards are required as a condition for the insurability of the loans. If the standards are not followed by lenders the insurance on the loan is cancelled. Once the insurance is cancelled, the loan no longer qualifies for any Federal benefit under the program, including interest and special allowance payments or for a claim payment by the agency. If the guarantee agency does not follow due diligence, reinsurance eligibility is ceased. Procedur have been established by which due diligence violations on loans may be cured and the insurance eligibility reinstated. This generally requires the holder of the loan to obtain a repayment agreement from the borrower, or to obtain some payments.

ACCURACY OF LENDER BILLINGS

Mr. Conte: With regard to payments of the various subsidies to the lending institutions, how does the Department verify the accuracy of lender billings, such as interest, special allowances and adjustments?

Dr. Kimberling: Interest and special allowance bills are paid under a computerized system which has built-in edits to detect mathematical errors. The edits do not detect intentional misrepresentation, however. In the past, verification of interest and special allowance bills has been performed during on-site lender reviews of selected lenders. We are also requiring in the revised GSL program regulations being developed by the Department that biennial reviews of the larger lenders, including their interest and special allowance bills, be conducted by the guarantee agencies.

DEPARTMENT OF EDUCATION

Guaranteed Student Loans

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Guaranteed Student Loans

For necessary expenses under title IV, part B of the Higher Education Act, [$3,300,000,000] $3,460,250,000 to remain available until expended. (Department of Education Appropriation Act, 1986).

Guaranteed Student Loans

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual......................	$3,079,497,000	$3,300,000,000	$2,345,009,000
Enacted supplemental.......	720,326,000	—	—
Sequester order............	—	-34,059,000	-15,423,000
Proposed supplemental (for later transmittal)..	—	+65,044,000	—
Subtotal, adjusted appropriation............	3,799,823,000	3,330,985,000	2,329,586,000
Comparative transfer to:			
Salaries and Expenses for administrative costs.....	-1,500,000	-5,966,000	—
Subtotal, adjusted budget authority..................	3,798,323,000	3,325,019,000	2,329,586,000
Receipts from:			
Non-Federal sources:			
Defaulted loans repaid...	242,224,000	339,000,000	499,300,000
Guarantee fees, PLUS loan program......	—	4,000,000	18,000,000
Loan advances repaid.....	—	—	162,572,000
Sale of defaulted loan portfolio..............	—	—	30,000,000
Unobligated balance, start of year.........................	157,343,000	68,471,000	61,545,000
Unobligated balance, end of year..................	-68,471,000	-61,545,000	—
Total obligations..........	4,129,420,000	3,674,945,000	3,101,003,000

Guaranteed Student Loans

Obligations and Budget Authority by Activity*

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
Obligations:				
1. Regular loans:				
(a) Interest subsidies.........	$2,378,956,000	$2,344,897,000	$2,456,776,000	$2,027,033,000
(b) Insurance costs............	1,305,731,000	1,305,731,000	1,195,450,000	1,045,620,000
(c) Guarantee agency subsidies.	2,773,000	2,773,000	2,773,000	---
Subtotal..............	3,687,460,000	3,653,401,000	3,654,999,000	3,072,653,000
2. PLUS loans:				
(a) Interest subsidies.........	---	---	---	---
(b) Insurance costs............	19,865,000	19,865,000	19,800,000	28,350,000
(c) Guarantee agency subsidies.	146,000	146,000	146,000	---
Subtotal..............	20,011,000	20,011,000	19,946,000	28,350,000
Total obligations...........	3,707,471,000	3,673,412,000	3,674,945,000	3,101,003,000
Total budget authority......	3,300,000,000	3,265,941,000	3,325,019,000	2,329,586,000

NOTES

1 (a). The 1986 Revised level reflects a proposed supplemental of $65,044,000 to cover currently projected unmet interest subsidy costs under current law. It also reflects increased obligations of $46,835,000 from legislative changes proposed to be effective July 1, 1986.

1 (b). The 1986 Revised level reflects reduced obligations of $104,380,000 from legislative changes proposed to be effective July 1, 1986.

* Budget authority cannot be allocated by activity. Budget authority (appropriation) levels, in total, take into account receipts and net unobligated balances. Since receipts and net unobligated balances are not allocated by activity, no meaningful way to allocate budget authority by activity exists. Here and elsewhere the principal display is of obligations.

Guaranteed Student Loans

Obligations by Object

	1985	1986	1987
Obligations:			
Other services.........	$7,732,000	$8,680,000	$9,400,000
Investments and loans..	1,075,704,000	1,155,620,000	1,013,620,000
Grants, subsidies, and contributions.........	3,002,388,000	2,459,695,000	2,027,033,000
Insurance claims and indemnities...........	43,597,000	50,950,000	50,950,000
Total obligations......	4,129,420,000	3,674,945,000 1/	3,101,003,000 2/
Total budget authority.	3,798,323,000	3,325,019,000 1/	2,329,586,000 2/

1/ Reflects a reduction of $34,059,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; and a proposed supplemental of $65,044,000 to cover currently projected unmet interest subsidy costs. Obligations also reflect a reduction in obligations of $57,545,000 due to legislative changes proposed to be effective July 1, 1986.

2/ Reflects a reduction of $15,423,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Guaranteed Student Loans

Summary of Changes

	Obligations	Budget Authority
1986 Estimate	$3,701,505,000	$3,294,034,000
1986 Sequester order	-34,059,000	-34,059,000
1986 Proposed supplemental (for later transmittal)	+65,044,000	+65,044,000
1986 Effects of 1987 proposed policy 1/	-57,545,000	—
1986 Revised estimate	3,674,945,000	3,325,019,000
1987 Request	3,101,003,000	2,329,586,000
Net change	-573,942,000	-995,443,000

1/ These savings, along with $4 million in receipts from PLUS guarantee fees, would be carried into 1987 as an unobligated balance and reduce budget authority requirements in that year.

	1986 Base 1/	Change from Base
Increases:		
Built-in:		
1. Increase in regular loan interest subsidies due to changes in loan volume offset by origination fees	—	+$61,000,000
(Obligations)	($2,456,776,000)2/	(+61,000,000)
2. Increase in interest subsidies due to no sequester order impact on origination fees in 1987	—	+18,636,000
(Obligations)	(-34,059,000)	(+18,636,000)
3. Increase in regular loan insurance costs due to increased outstanding loan volume	—	+125,170,000
(Obligations)	(1,195,450,000)	(+125,170,000)
4. Increase in PLUS loan insurance costs due to increased outstanding loan volume	—	+9,750,000
(Obligations)	(19,800,000)	(+9,750,000)
Built-in increases, subtotal		+214,556,000
(Obligations)		(+214,556,000)

1/ Reflects a reduction of $34,059,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

2/ Includes a proposed supplemental of $65,044,000 as well as an increase in obligations of $46,835,000 from legislative changes proposed to be effective July 1, 1986.

Guaranteed Student Loans

Summary of Changes — Continued

	1986 Base[1]	Change from Base
Decreases:		
Built-in:		
1. Decrease in regular loan guarantee agency subsidies due to no administrative allowance and loan advance costs incurred in a prior year being paid in the current year......................	—	-$2,773,000
(Obligations)................	($2,773,000)	(-2,773,000)
2. Decrease in PLUS loan guarantee agency subsidies due to no administrative allowance and loan advance costs incurred in a prior year being paid in the current year......................	—	-146,000
(Obligations)................	(146,000)	(-146,000)
3. Increase in collections due to expanded collection activities....	(-343,000,000)	-160,300,000
(Obligations)................	—	(—)
Built-in decreases, subtotal.................		-163,219,000
(Obligations).......		(-2,919,000)
Decreases:		
Program:		
1. Decrease in regular loan interest subsidies due to the elimination of in school interest benefits offset by the elimination of origination fees..................	—	-509,379,000
(Obligations)................	(2,456,776,000)[2]	(-509,379,000)
2. Decrease in regular loan insurance costs due to proposed improvements in default prevention, and proposed implementation of a guarantee fee................................	—	-275,000,000
(Obligations)................	(1,195,450,000)[3]	(-275,000,000)

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[1] Reflects a reduction of $34,059,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

[2] Includes a proposed supplemental of $65,044,000 for interest subsidy costs, as well as an increase in obligations of $46,835,000 from legislative changes proposed to be effective July 1, 1986.

[3] Reflects a decrease in obligations of $104,380,000 from legislative changes proposed to be effective July 1, 1986.

Guaranteed Student Loans

Summary of Changes — Continued

	1986 Base [1/]	Change from Base
Decreases:		
Program:		
3. Decrease in PLUS loan insurance costs due to proposed improvements in default prevention........................	---	-$1,200,000
(Obligations)................	($19,800,000)	(-1,200,000)
4. Increase in loan advances repaid due to proposed required return of all outstanding advances.......	---	-162,572,000
(Obligations)................	(---)	(---)
5. Increase in defaulted loans repaid due to proposed sale of defaulted loan portfolio...........	---	-30,000,000
(Obligations)................	(---)	(---)
6. Increase in receipts due to proposed imposition of a one percent PLUS program guarantee fee................................	---	-14,000,000
(Obligations)...............	(---)	(---)
Program decreases, subtotal.................		-992,151,000
(Obligations).......		(-785,579,000)
Adjustment for increase in unobligated balances available................	-6,926,000	-54,619,000
(Obligations).......	(---)	(---)
Net change...............		-995,433,000
(Obligations).......		(-573,942,000)

1/ Reflects a reduction of $34,059,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Guaranteed Student Loans

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. Regular loan program:			
a. Interest subsidies	HEA Title IV-B	Indefinite	Indefinite[1]
b. Insurance costs	HEA Title IV-B	Indefinite	Indefinite[1]
c. Guarantee agency subsidies	HEA Title IV-B	Indefinite	Indefinite
2. PLUS loan program:			
a. Interest subsidies	HEA Title IV-B	Indefinite	Indefinite[1]
b. Insurance costs	HEA Title IV-B	Indefinite	Indefinite[1]
c. Guarantee agency subsidies	HEA Title IV-B	Indefinite	Indefinite

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1/ The authorizing legislation of certain provisions, namely, direct Federal insurance of loans to new borrowers (and thus, interest costs paid on behalf of such borrowers) and interest costs paid on behalf of borrowers obtaining loans under guarantee agency program, expires at the end of fiscal year 1986. However, a one-year extension of those provisions is authorized by section 414 of the General Education Provisions Act.

Guaranteed Student Loans

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1978	$479,663,000	$479,663,000	$479,663,000	$479,663,000
1978 Borrowing authority	25,000,000	40,000,000	40,000,000	40,000,000
1979	957,503,000	957,503,000	957,503,000	946,273,000
1979 Borrowing authority	25,000,000	25,000,000	25,000,000	25,000,000
1980	1,706,344,000	1,597,344,000	1,597,344,000	1,591,844,000
1981	1,938,296,000	1,378,990,000	2,486,440,000	2,517,470,000
1982	1,765,346,000	1,765,346,000	2,594,500,000	3,061,846,000
1983	2,472,631,000	2,472,631,000	3,088,500,000	3,088,500,000
1984	2,045,600,000	1,267,100,000	2,253,740,000 1/	2,253,740,000
1985	2,840,677,000	3,046,000,000	3,079,477,000	3,077,977,000
1985 Supplemental	---	---	---	720,346,000
1986	2,714,482,000	2,714,482,000	3,300,000,000	3,300,000,000
1986 Sequester	-34,059,000			
1986 Proposed supplemental	+65,044,000			
1987	2,329,586,000			

1/ Senate Committee action.

Guaranteed Student Loans

Significant Items in Congressional Appropriations Reports

Item	Action taken or to be taken
1986 House Report Payment of Administrative Allowances to Guarantee Agencies The Committee intends that administrative allowances to guarantee agencies and loan advances to guarantee agency reserve funds continue to be paid.	Most categories of Federal costs related to the Guaranteed Student Loan program are mandatory costs which the Department is legally obliged to meet as they occur. However, administrative cost allowances, as well as agency advances, are discretionary and, therefore, subject to the availability of funds. In light of the Department's uncertainty of its ability to meet mandatory program costs in 1986 with current appropriations, continued suspension of administrative cost allowances and agency advances is necessary. The Department's policies calling for the repayment of all outstanding agency advances and the elimination of administrative cost allowances would provide for reasonable cost-sharing between the Federal Government and the participating States and territories. These policies would also provide greater incentives for administrative cost reduction and for default collection. The guarantee agency collections retention allowance (up to 30 percent of default collections) would be retained. Guarantee agencies will retain an estimated $80 million of collections in 1986. Agencies would also continue to be able to charge an insurance fee of up to 1 percent per year on outstanding loan principal. There is no evidence that nonpayment of allowances and advances has had any significant negative impact on the operation of the program.

Guaranteed Student Loans

Significant Items in Congressional Appropriations Reports — Continued

Item	Action taken or to be taken
1986 House Report	
Availability of PLUS (Auxiliary) Loans	
The Committee is pleased with the Department of Education's progress in persuading financial institutions offering Guaranteed Student Loans to also offer parent or auxiliary loans. However, the Committee continues to be concerned with the failure of many lending institutions to offer these loans. The Department should report back to the Committee, prior to the fiscal year 1987 hearings, outlining the results of its efforts in getting GSL institutions to offer the parent or auxiliary loans. The information furnished by the Department during the FY 1986 hearings indicated that approximately one-third of the GSL lenders disbursed PLUS loans.	The Department has and will continue to encourage lending institutions to offer PLUS (auxiliary) loans. The PLUS program operates in all 50 States, American Samoa, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, the Trust Territory of the Pacific Islands and the Virgin Islands. About 4,000 lenders actively participate in the program. Approximately 192,000 PLUS loans were made in fiscal year 1985 for $512 million, an increase of about $140 million or 39 percent over the prior year. The Department anticipates no problem in short- or long-term PLUS loan availability to interested borrowers. Many guarantee agencies use aggressive marketing programs to encourage lender participation. The Student Loan Marketing Association (Sallie Mae), in conjunction with the Indiana National Bank and United Student Aid Funds, provides the PLUS Assured Access Plan for eligible borrowers regardless of economic conditions or geographic location. The Department submitted Higher Education Act Amendments on April 15, 1985, which would promote greater access to and use of PLUS loans. The Department will submit a reauthorization proposal in 1986 detailing changes which would further promote the PLUS loan program.

Guaranteed Student Loans

Account Summary

	1985	1986	1987
Obligations:			
1. Regular loans:			
a. Interest subsidies..	$2,950,094,000	$2,456,776,000	$2,027,033,000
b. Insurance costs.....	1,057,368,000	1,195,450,000	1,045,620,000
c. Guarantee agency subsidies.........	105,103,000	2,773,000	—
Subtotal, regular loans......	4,112,565,000	3,654,999,000	3,072,653,000
2. PLUS loans:			
a. Interest subsidies..	1,000,000	---	---
b. Insurance costs.....	10,323,000	19,800,000	28,350,000
c. Guarantee agency subsidies.........	5,532,000	146,000	---
Subtotal, PLUS loans..............	16,855,000	19,[illegible]000	28,350,000
Total Obligations.........	4,129,420,000	3,674,945,000 1/	3,101,003,000

1/ Reflects a reduction of $34,059,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177 and a proposed supplemental of $65,044,000 for interest subsidy costs. Reflects decreased obligations of $57,545,000 due to legislative changes proposed to be effective July 1, 1986. Request pending submission of proposed legislation.

Guaranteed Student Loans

Account Summary -- Continued

	1985	1986	1987
Offsetting collections from Non-Federal sources:			
Regular loans:			
Defaulted loans repaid:			
Fed. collections......	-$86,711,000	-$62,000,000	-$63,900,000
Offsets against Federal tax refunds..	—	-89,840,000	-200,500,000
Reimbursements from guarantee agencies...	-155,052,000	-186,400,000	-233,500,000
Sale of defaulted loan portfolio.......	—	—	-29,970,000
Other collections:			
Advances repaid.......	—	—	-161,620,000
PLUS loans:			
Defaulted loans repaid:			
Fed. collections......	—	—	-100,000
Offsets against Federal tax refunds..	—	-160,000	-500,000
Reimbursements from guarantee agencies...	-461,000	-600,000	-800,000
Sale of defaulted loan portfolio.......	—	—	-30,000
Other collections:			
Advances repaid.......	—	—	-952,000
Guarantee fee.........	—	-4,000,000	-18,000,000
Subtotal........	-242,224,000	-343,000,000	-709,872,000
Adjustment for unobligated balances:			
Unobligated balance, start of year...........	-157,343,000	-68,471,000	-61,545,000
Unobligated balance, end of year.............	68,471,000	61,545,000	—
Subtotal........	-88,872,000	-6,926,000	-61,545,000
Total obligations.........	4,129,420,000	3,674,945,000[1]	3,101,003,000
Total budget authority.[2].	3,798,323,000	3,325,019,000[1]	2,329,586,000

1/ Reflects a reduction of $34,059,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177 and a proposed supplemental of $65,044,000 for interest subsidy costs.

2/ Detail may not add due to rounding.

Guaranteed Student Loans

Account Summary -- Continued

Passage of the Higher Education Act in 1965 marked the commitment of the Federal Government to promote access to postsecondary education by lowering financial barriers that may prevent a needy individual from pursuing postsecondary education. In 1985, the total postsecondary student aid generated by Department of Education programs under Title IV of the Higher Education Act exceeded $14.1 billion.

The Guaranteed Student Loan (GSL) program, which is authorized under Title IV, Part B, of the Higher Education Act, plays a major role in helping to provide access to and a measure of choice in postsecondary education. In 1985 almost $8.5 billion in GSL loans were made, representing 60 percent of Department of Education aid made available to students. Its regular and PLUS loan components enable eligible students and their parents to borrow at subsidized interest rates, from over 13,000 banks and other lenders, to help pay the costs of education or training at over 8,000 eligible universities, colleges, and vocational schools. This is accomplished through Federal reinsurance of loans and through the provision of substantial interest subsidies and other support. In general, the program is administered through State and private nonprofit guarantee agencies which serve as intermediate loan insurors, defaulted loan collectors, and providers of various services to lenders. The Federal Government also provided direct insurance of loans through July 1984 and continues to be responsible for providing assistance to lenders and collecting on defaulted directly insured loans.

Regular GSLs may be borrowed by any otherwise eligible student, regardless of the student's year in school or dependency status. The loan limits are $2,500 annually/$12,500 cumulatively for undergraduates and $5,000 annually/$25,000 cumulatively for graduates. Students with family adjusted gross incomes of more than $30,000 must demonstrate financial need.

The interest obligation is currently eight percent for new borrowers, although the Federal Government pays this obligation (the "interest benefit") while regular loan borrowers are in school and during grace and certain deferment periods. Loan principal need not be repaid during the in-school, grace and deferment periods. A five percent loan origination fee is paid by regular GSL borrowers to help offset Federal interest subsidy costs.

PLUS loans may be borrowed by independent undergraduate students, independent and dependent graduate students, and parents of dependent undergraduate students. The loan limits are $3,000 annually/$15,000 cumulatively for graduate students and for parents (for each dependent offspring), and $2,500 annually/$12,500 cumulatively for independent undergraduates (inclusive of regular GSL amounts). There is no need test. The interest rate is twelve percent and no in-school interest benefit payments are made by the Federal Government. Repayment of loan principal begins within sixty days of disbursement unless the borrower is eligible for deferment. No origination fee is assessed.

Guaranteed Student Loans

Account Summary -- Continued

In addition to the interest benefit subsidy, a "special allowance" is paid quarterly to lenders based on the outstanding loan volume of both regular and PLUS loans. By statutory formula, this allowance assures lenders a total yield equal to the quarterly average 91-day Treasury bill rate plus 3-1/2 percent or the borrower's interest rate, whichever is higher. The Federal Government is also liable for up to 100 percent of the costs associated with default, death, disability and bankruptcy of borrowers.

Finally, the GSL program provides for the payment to guarantee agencies of administrative cost allowances based on annual loan volume and loan advances for agency reserve funds, subject to funding availability.

The GSL program provides credit on more favorable terms than is available in the private sector to students who for the most part are unable to provide collateral or submit evidence of credit worthiness. Indeed, no comparable credit source exists for the vast majority of these students. To estimate the Federal subsidy provided to borrowers, a hypothetical benchmark credit instrument was selected that had a 15 percent interest rate and a 13.5 percent (of loan value) provision for guarantees to lenders against loss (i.e., a front-end insurance fee paid by the borrower). The subsidy, expressed as a percentage of the face value of the amount of the loan aid, was calculated at approximately 61 percent for regular loans and approximately -24 percent for PLUS loans. The PLUS loan program's continued growth suggests that even the rather expensive hypothetical benchmark understates the true cost of private credit to students and their families.

By the end of fiscal year 1985, the GSL program had supported over $58 billion in loans to students and parents. Of this amount, over $7 billion was directly insured by the Federal Government and almost $51 billion was insured by guarantee agencies and reinsured by the Federal Government. The increasing demand for the GSL program by postsecondary students (along with its increasing cost to taxpayers) is reflected in the following table:

Recent GSL Program History

	1978	1979	1980	1981	1982	1983	1984	1985
Loan volume ($ in millions)	$1,958	$2,984	$4,840	$7,824	$6,238	$6,928	$7,926	$8,888
Recipients (# in thousands)	1,085	1,510	2,314	3,540	2,788	3,039	3,403	3,851
Federal costs: ($ in millions)								
Appropriations	$480	$946	$1,592	$2,517	$3,062	$3,088	$2,254	$3,798
Net Obligations	$674	$939	$1,528	$2,603	$2,922	$2,511	$2,963	$3,888

(NOTE: Loan volume and recipients reflect loan commitments. Appropriations are adjusted for comparability.)

Guaranteed Student Loans

Account Summary -- Continued

Current Problems

Although the GSL program, in conjunction with other Federal, State, and local student aid, has helped provide access to postsecondary education for millions of students, many problems threaten the integrity of the program and undermine its essential equity and effectiveness.

Rapidly rising costs: As shown by the significant increases in GSL budgets over the last several years, costs have risen dramatically. Between 1980 and 1985 — in a period of general spending restraint — GSL net obligations increased over 100 percent, from $1.5 billion to $3.9 billion. As these costs have increased, the Federal Government has assumed an inordinate share of the costs of financing postsecondary education. Furthermore, these cost increases have occurred despite falling interest rates.

Unnecessary borrowing: The traditional role of the student and the student's family in meeting postsecondary education costs has eroded, particularly since passage of the Middle Income Student Assistance Act of 1978. Financially well-off families are using low-cost regular GSLs to pay college costs rather than relying on their own resources. In addition, although the Omnibus Budget Reconciliation Act of 1981 imposed a need analysis limitation on regular loans to students with adjusted gross family incomes above $30,000, students from higher-income families can still receive full, highly-subsidized GSLs if they attend high-cost schools. Furthermore, no explicit requirement for students to support their own educations is made before federally subsidized funds can be borrowed. Finally, a freshman can receive almost $13,000 in Department of Education aid each year -- much more than the full cost of attending a public four-year college -- through grants, direct loans, guaranteed loans and work-study employment. Students are able to receive excessive Federal aid, rather than relying on non-Federal funds, thus encouraging college costs to continue their upward course unchecked.

Program abuse: Currently, determination of whether a student is considered dependent or independent of his or her parents and, thus, whether or not parental income and assets are considered when calculating the expected family contribution, is very complicated and is based upon unverifiable, self-reported information. Recent studies have found that many students are falsely claiming to be independent, with the result that available parental resources are not being considered. This problem is widely acknowledged by college administrators and financial aid officers. Another area of abuse occurs when students who do not have a high school diploma or its equivalent, but instead meet a school-determined "ability to benefit" standard receive GSLs and other Federal aid. A recent GAO study found that an inordinately high percentage of such students in proprietary schools drop out of school, thus wasting Federal tax dollars by not obtaining the benefits of completed training.

Guaranteed Student Loans

Account Summary -- Continued

Federal intrusion into the credit market: Borrowers' interest rates are set at a flat eight percent for regular loans or 12 percent for PLUS loans, regardless of current market conditions. During periods of high market interest rates, the GSL rates are excessively attractive and encourage unnecessary borrowing. During low market interest rate conditions, as at present, borrowers are unfairly penalized by the non-responsiveness of GSL rates to more favorable credit market activity.

Excess bank profits: The current special allowance formula provides lenders with an excessive yield of at least 3-1/2 percent above 91-day Treasury bill rates. Lenders obtain variable yields over the entire life of the loans, thus eliminating market risk, while also avoiding any risk for default, death, disability or bankruptcy. Moreover, for regular GSLs, lenders receive this yield even during the in-school period when the lender performs little administration of, or servicing on the loan. The lender's yield is so great that many lending institutions actively seek borrowers through advertising and direct mail campaigns. At least one lender in New York even offered borrowers the added incentive of up to $200 in cash for taking out a GSL. Finally, lenders are able to receive interest subsidy payments on undisbursed loan funds in cases where the lenders choose to make multiple disbursements of loan proceeds.

Defaults: Despite increased efforts to collect outstanding defaults and to reduce the incidence of default, reinsurance defaults are expected to increase by about $244 million in 1986 and another $131 million in 1987 under current law from an already excessive level of $1,016 million in 1985. These increases are primarily associated with huge increases in the volume of loans entering repayment and subject to default. They reflect the fact that new loan volume six years ago jumped from $4.8 billion in 1980 to $7.8 billion in 1981--in part as a result of the Middle Income Student Assistance Act of 1978 which eliminated an earlier need limitation.

Excess payments to guarantee agencies: Guarantee agencies are virtually 100 percent financed through Federal payments. Under current reinsurance provisions, agencies bear little or no cost for defaults. Death, disability, and bankruptcy claims are 100 percent reimbursed by the Federal Government. Agencies are authorized to charge borrowers an insurance premium of up to one percent of the loan principal for each year the loan is outstanding. This insurance premium is generally included in the student's loan amount, thus increasing the subsidies provided by the Federal Government. Agencies received loan advances from the Department to help establish and maintain their reserve funds as well as administrative cost allowances of up to one percent of new loan volume. Finally, agencies are authorized to retain up to 30 percent of their collections to cover the cost of collecting defaulted loans. These various payments have allowed the agencies to finance virtually all of their activities with Federal funds. Few States appropriate funds to support their agencies.

Guaranteed Student Loans

Account Summary -- Continued

Structural Reform

The proposed 1987 Budget involves major changes in the structure of the Guaranteed Student Loan program which are designed to significantly reduce Federal interest subsidization, default and other costs. It is based upon the following principles: (1) borrower costs should more closely reflect current credit market conditions; (2) Federal intrusion into the credit market should be limited to the degree necessary to ensure adequate access to student loan capital; (3) student borrowers, as the primary beneficiaries of the program, should bear their own interest costs; (4) lender yield should be based upon market conditions and not provide an excessive profit margin; and (5) borrowers, lenders and the participating States and territories should bear a share of the responsibility for financing administrative and default costs of the GSL program. The specific proposals, which are assumed to be effective by July 1, 1986 for loans made for the 1986-87 academic year, except where noted, are:

- Proposals Addressing Unnecessary Subsidized Borrowing and Program Abuse:

  Full Need Analysis--The regular loan need analysis limitation would be extended to all family income levels to ensure that regular loans are made available only to the extent that students demonstrate financial need.

  Single Need Analysis--A single need analysis provision would accommodate the GSL, Pell Grant and campus-based programs under a simpler, more easily-administered need formula which would improve program integrity and efficiency. Implementation of this proposal, beginning in the 1987-88 school year, would ensure equitable distribution of aid among students and help restore an appropriate financing role for students and their parents.

  Restricting Independent Student Status: Any student who is under 23 years of age would be considered dependent on his/her parents unless he/she is an orphan or ward of the court or can demonstrate self-sufficiency for the two years prior to the year of application. The current three-question criteria, involving living status, acceptance of parental assistance and dependency status on parental tax returns, would also be applied (regardless of student age) to the award year and the two years prior to the award year. Any student under 30 who claims to be independent would have to submit parental tax forms for these two prior years.

  Requiring a High School Diploma--Only recipients of a high school diploma or its equivalent would be eligible for aid. This requirement would ensure that students complete secondary education before becoming eligible for Federal subsidies to pursue further training.

Guaranteed Student Loans

Account Summary -- Continued

Single Hardship Deferment--All currently authorized deferments would be combined into a single "hardship" deferment. This would simplify the administration of GSL deferments.

PLUS Loan Eligibility--Within the limits discussed below, PLUS loan eligibility would be extended to include all otherwise eligible students and spouses of all students, regardless of the student's level of education, as well as parents of all dependent undergraduate students. Since other PLUS program legislative proposals would make this program self-financing, this expansion of eligibility would result in no additional costs to the taxpayer.

PLUS Loan Limits--In order to provide additional aid without added Federal costs, PLUS loan limits would be increased to $5,000 annually for each eligible student, and $25,000 cumulatively, not including any regular loan amounts.

PLUS Loan Improvements: Several proposed legislative amendments would improve the availability and convenience of PLUS loans. For example, the maximum PLUS loan repayment period would be extended from the current 10 years to 15 years. Lenders would be authorized to charge up to $25 to cover the cost of credit checks on PLUS borrowers. Lenders could consolidate new PLUS loans and existing PLUS loans under a new 15-year repayment period, thus decreasing borrower repayment burden and lender administrative costs. Legislation would clarify that interest accruing on PLUS loans could be capitalized (i.e., added to the principal obligation for later repayment), thus decreasing in-school borrower repayment burden. These changes would encourage lender and borrower participation in the virtually unsubsidized PLUS loan program.

- Proposals Addressing Federal Intrusion into the Credit Market:

Interest Rate--The borrower's interest rate for regular loans made for the 1986-87 academic year and beyond would be fixed at the average of 91-day Treasury bill rates for the quarter ending March 31st prior to the academic year for which the loan is made. This rate could be fixed through the second year of repayment, at which time a new rate could be negotiated with the lender, subject to a cap of the prevailing 91-day Treasury bill rate at that time plus 3 percent. Interest rates for PLUS loans would be determined by borrower negotiation with the lender, subject to a cap of the 91-day Treasury bill rate plus 3 percent (fixed when the loan is made or variable over the life of the loan). These provisions would more closely tie the borrower's cost to credit market conditions, thus reducing the distortions of Federal intrusion into the capital market. Borrower rates for both regular GSL and PLUS loans would still be well below rates available on non-guaranteed loans.

Guaranteed Student Loans

Account Summary -- Continued

Interest Benefit Subsidy--Interest benefit subsidy payments made on behalf of subsidized regular loan borrowers during the in-school, grace and deferment periods would be eliminated. Students could either pay the interest as it accrues, borrow additional amounts to cover the accrued interest (current regular GSL loan limits), or have the interest capitalized. The 5 percent origination fee currently paid by borrowers to offset interest subsidy costs would be eliminated. This policy would significantly reduce the subsidization of regular GSL loans and ensure that students, as the primary beneficiaries of the program, bear some of the program costs.

Tax-Exempt Funding--Regular GSLs and PLUS loans could not be made or purchased using funds obtained from an obligation the income on which is exempt from Federal income tax. Use of such funding is not required to ensure adequate loan availability and results in substantial Federal tax losses.

o Proposals Addressing Excess Lender Profits:

Special Allowance--Beginning with loans made for the 1986-87 academic year, the formula for special allowance on regular loans would be revised to give lenders a total fixed (instead of variable) yield equal to the average 91-day Treasury bill rate for the quarter ending March 31st prior to the award year in which a loan is made plus 3 percent while loans are in school and through the second year of repayment. No special allowance would be paid thereafter. These provisions would stabilize the special allowance rates at a constant percent of loan principal, thus separating Federal costs from credit market conditions. Beginning with loans made for the 1986-87 academic year, no special allowance would be paid on PLUS loans.

Lender Insurance--Loan insurance would be limited to 90 percent of unpaid principal and interest. Implementation of this proposal would require lenders to share, to a limited extent, the cost of defaults. This would encourage lenders to improve their servicing and debt collection procedures so as to minimize the incidence of default as well as promote risk-sharing.

Multiple Disbursement--Beginning with loans made for the 1986-87 academic year, lenders would be required to disburse funds for regular loans at least twice during the award year. Payment of interest benefits and special allowance would be based on loan amounts actually disbursed. (Current law provides interest benefits and special allowance payments based on the total approved loan amounts, including undisbursed amounts.) Under these proposed changes, disbursements would correspond more closely to students' actual needs for funds over the academic year. Moreover, Federal subsidy costs would be reduced and the financial benefits to lenders would more closely reflect their actual financial obligations.

Guaranteed Student Loans

Account Summary — Continued

- Proposals Addressing Excess Payments to Guarantee Agencies:

  Reinsurance—The Federal Government's reinsurance of new guarantee agency insured regular and PLUS loans made for academic year 1986-87 and beyond would be limited to 90 percent of any default claim, with the reinsurance level for any year dropping to 80 percent or 70 percent depending on the ratio of each agency's net defaults (cumulative defaults minus cumulative collections) to the cumulative amount of loans in repayment at the end of the prior year. This new reinsurance formula would require agencies to bear somewhat more financial responsibility for defaults and would thus encourage guarantee agencies to prevent defaults and improve collections by imposing greater financial penalties than under current law for inadequate agency default and collection activities and by ensuring that agencies incur at least a small (nine percent) insurance cost for each defaulted loan.

  Administrative Cost Allowances—After September 30, 1986, no administrative costs would qualify for reimbursement by the Secretary. This would provide more equitable cost-sharing between the Federal Government and the agencies and would provide direct incentives for administrative cost reductions. Since States control program management, local responsibility for meeting administrative costs is appropriate.

  Loan Advances—Guarantee agencies would be required to repay all outstanding advances by the end of 1987. Statutory authority for the advances would not be reauthorized. These advances are no longer required to help establish or maintain agency reserve funds.

- Proposals Addressing Defaults and Collections:

  Loan Consolidation—All eligible lenders would be authorized to combine regular loans, PLUS loans and National Direct Student Loans held by a borrower into a single, consolidated loan with repayment extended up to 25 years. The borrower interest rate on consolidated loans would be set by the lender up to the prevailing 91-day Treasury bill rate plus 3 percent and could be either a fixed or variable rate. No special allowance would be paid on consolidated loans. No minimum outstanding loan amounts would be required to be eligible for consolidation. This proposal would decrease monthly borrower repayment burden, help students to manage payment of in-school interest and, possibly, decrease Federal default costs.

  Sale of Defaulted Portfolio—In instances where the sale of defaulted GSLs would be cost-effective to the Federal Government, such loans would be sold to private collection agencies. No loans would be sold until and unless all other collection efforts had failed. All sales would be on a non-recourse basis. The sale of a portion of the GSL defaulted loan portfolio would increase receipts, thus reducing required appropriations.

Guaranteed Student Loans

Account Summary -- Continued

Administrative Improvements--A variety of administrative changes would improve default prevention and collection. These changes would include required debt counseling of prospective borrowers, required lender reporting of all loans to consumer credit bureaus, co-payable checks (requiring endorsement of both the student and the school), extension of the IRS tax refund offset authority, and a variety of technical revisions, such as eliminating the applicability of State and Federal statutes of limitation.

$50,000 Aggregate Loan Cap--Under proposed policy, students would be limited to a maximum of $50,000 total borrowing under regular GSL, NDSL and PLUS. This would help to protect students from taking on excessive debt burden, and thus reduce the likelihood of default.

Regular Loan Guarantee Fee--A guarantee fee on regular loans would be charged to borrowers to cover the estimated default and other Federal program costs associated with each year's cohort of borrowers. In 1986-87 this fee would be equal to five percent of each loan disbursement. The 5 percent origination fee currently charged to borrowers would be eliminated.

PLUS Guarantee Fee--A guarantee fee on PLUS loans would be charged to borrowers to cover the estimated default and other Federal program costs associated with each year's cohort of borrowers. For loans made for academic year 1986-87, this fee would be equal to one percent of the PLUS loan amount. The guarantee fee, in conjunction with other proposed PLUS program changes, would make the PLUS program self-financing.

Guaranteed Student Loans

Account Summary — Continued

Savings by Proposal[1]
(dollars in millions)

	1986	1987	1988	1989	1990	1991
Full Need Analysis..............	+$27	+$223	+$403	+$540	+$500	+$475
Single Need Analysis............	—	+2	+17	+30	+40	+37
High School Diploma.............	+*	+1	+8	+13	+15	+20
Independent Criteria............	+*	+*	+*	+*	+*	+*
Increase PLUS Limits............	—	—	—	—	—	—
Expand PLUS Eligibility.........	—	—	—	—	—	—
Eliminate In-School Interest Subsidies.....................	+41	+503	+1,112	+1,670	+1,691	+1,539
Regular Borrower Interest Rate.	—	—	-2	-11	-87	-117
PLUS Borrower Interest Rate....	—	—	—	—	—	—
PLUS Guarantee Fee..............	+4	+18	+21	+24	+26	+27
Single Hardship Deferment......	-*	-*	-*	-*	-*	-*
Special Allowance:						
Regular = 3.0%/0.0%...........	+68	+105	-114	-508	-882	-1,084
PLUS = 0.0%..................	—	—	—	—	—	—
Multiple Disbursement...........	-47	+204	+227	+167	-2	-5
90% Lender Insurance............	—	+3	+30	+81	+138	+172
No Tax-Exempt Financing.........	-*	-*	-*	-*	-*	-*
Reinsurance = 90/80/70%.........	—	+3	+30	+78	+160	+257
Eliminate Admin. Cost Allowances & Advances2/......	(+97)	(+104)	(+115)	(+125)	(+133)	(+141)
Recall Advances.................	—	+163	—	—	—	—
Consolidation...................	+11	+53	+62	+75	+104	+123
Sale of Defaults................	—	+30	+38	+45	+53	+62
Other Default Prevention and Collection Improvements......	—	+7	+7	+11	+15	+15
Decreases in Other Aid..........	—	-5	-11	-19	-27	-32
Interaction of Proposals 3/....	-42	-256	-523	-1,136	-159	+307
Total............................	+62	+1,054	+1,305	+1,060	+1,585	+1,796

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* Negligible

1/ Savings show as positive amounts; increased costs as negative amounts.

2/ Since the current services base assumes non-payment of administrative cost allowances and advances, the policy to eliminate those payments would result in no additional savings. Therefore, related cost impacts are shown in parentheses and do not add.

3/ Individual policy savings are generally assessed separately against a current law base. Interaction effects of all policies are shown as an additional line item.

Guaranteed Student Loans

Account Summary — Continued

Assuming implementation of these proposals, borrowing will shift slightly from the regular component to the PLUS component of the GSL program:

Estimated Impact of Reforms on Loan Volume and Recipients

	1986	1987	1988	1989	1990	1991
Loan Volume ($ in millions):						
Regular Loans:						
Current Law	$8,991	$9,981	$10,878	$11,640	$12,222	$12,834
FY 1987 Policy	7,856	7,550	8,784	9,877	10,650	11,050
Change	-1,135	-2,431	-2,094	-1,763	-1,572	-1,784
PLUS Loans:						
Current Law	696	904	1,086	1,249	1,373	1,510
FY 1987 Policy	969	1,753	2,108	2,416	2,737	3,014
Change	+273	+849	+1,022	+1,167	+1,364	+1,504
Total:						
Current Law	9,687	10,885	11,694	12,889	13,595	14,344
FY 1987 Policy	8,826	9,304	10,893	12,293	13,388	14,064
Change	-861	-1,581	-801	-596	-207	-280
Recipients (# in thousands):						
Regular Loans:						
Current Law	3,870	4,238	4,559	4,861	5,086	5,321
FY 1987 Policy	3,450	3,251	3,598	3,845	4,186	4,387
Change	-420	-987	-961	-1,016	-900	-934
PLUS Loans:						
Current Law	258	332	395	451	493	539
FY 1987 Policy	377	601	726	835	951	1,049
Change	+119	+269	+331	+384	+458	+510
Total:						
Current Law	4,128	4,570	4,954	5,312	5,579	5,860
FY 1987 Policy	3,827	3,852	4,325	4,680	5,137	5,436
Change	-301	-718	-629	-632	-442	-424

Guaranteed Student Loans

Account Summary -- Continued

The 1987 Budget proposal to reform this program would result in significant long-term budgetary savings. The following table shows the savings of the President's Budget when compared to current services levels for 1986-1991:

(dollars in millions)*

	1986 1/	1987	1988	1989	1990	1991
Current Services						
Budget Authority	$3,325	$3,445	$3,322	$3,173	$3,111	$3,237
Outlays	3,275	3,401	3,350	3,203	3,123	3,212
President's Budget						
Budget Authority	3,325	2,330	2,017	2,113	1,525	1,441
Outlays	3,225	2,546	2,095	2,094	1,643	1,458
Savings						
Budget Authority	—	1,115	1,305	1,060	1,585	1,796
Outlays	49	855	1,255	1,109	1,480	1,754

1/ Reflects a reduction of $34 million pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177 and a proposed supplemental of $65 million to cover currently projected unmet interest subsidy costs.

*Figures may not add due to rounding.

Guaranteed Student Loans

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1. Regular loan program: a. Interest subsidies
   (Higher Education Act, Title IV, Part B)

1987 Authorization: Indefinite

Obligations:

	1986 Currently Available	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
Interest benefits..	$1,719,956,000	$1,719,956,000	$1,549,000,000[1]	$1,110,000,000	-$439,000,000
Special allowance, net of origination fees......	659,000,000	624,941,000[2]	907,776,000[2]	917,033,000[3]	+9,257,000
Total obligations)....	2,378,956,000	2,344,897,000	2,456,776,000	2,027,033,000	-429,743,000

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[1] Includes a proposed supplemental of $65,044,000 to cover currently projected unmet interest benefit costs. Also includes reduced costs of $236,000,000 due to legislative changes proposed to be effective July 1, 1986.

[2] Reflects a reduction of $34,059,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177. Also includes increased costs of $282,835,000 due to legislative changes proposed to be effective July 1, 1986.

[3] Reflects a reduction of $15,423,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Purpose and Method of Operation

The purpose of Federal interest subsidization of regular GSL loans is to promote the availability of relatively low-interest loans to students who would otherwise be unable to secure loans from commercial banks and other lenders for use in obtaining access to postsecondary education. Subsidization of regular loans to all eligible students is required throughout the life of the loan. Due to the combination of Federal interest subsidies, borrowers of regular GSLs have no interest costs during in-school, grace, and deferment periods, with relatively low (eight percent to new borrowers) interest accruing thereafter. In view of this high subsidization, the Omnibus Budget Reconciliation Act of 1981 created a five percent regular loan "origination fee" to help offset Federal interest subsidy payments.

Guaranteed Student Loans

1. Regular loan program: a. Interest subsidies

Purpose and Method of Operation — Continued

- Interest benefits - Payments to lenders are equal to the regular loan borrower's interest obligation (eight percent to new borrowers) during in-school, grace and deferment periods. The Department of Education makes quarterly payments to lenders based on lender reports of eligible loan volume.
- Special allowance - This supplemental interest payment to lenders varies with 91-day Treasury bill rates. Quarterly payments to lenders (based on outstanding loan volume) assure that, when added to the borrower's interest (or the interest benefits subsidy), the lender receives a total variable yield equal to the quarterly average of 91-day Treasury bill rates plus 3-1/2 percent, or to the borrower's interest rate, whichever is greater.
- Origination fees - Regular GSL borrowers are charged a loan origination fee equal to five percent of the loan principal to help offset Federal interest subsidy payments. Rather than forwarding the origination fees to the Department, the quarterly interest benefits and special allowance payments to lenders are generally offset by the amount of origination fees collected by lenders during each quarter.

Accomplishments

Through the provision of interest subsidies and loan insurance/reinsurance, over 30 million students and parents have been able to borrow at low interest rates from over 13,000 banks and other lenders. These subsidies have reduced the cost of borrowing for students and parents in meeting the costs of education or training at over 8,000 participating universities, colleges and vocational schools. In 1985, almost $8 billion in regular loans were disbursed to 3.5 million students.

1987 Budget Proposal

Gross obligations of $2,027,033,000 are expected to be required to support regular loan interest subsidies (interest benefits and special allowance) in 1987. This compares with an estimated $2,456,776,000 in interest subsidy obligations in 1986.

Interest subsidy costs, which are incurred to promote the availability of low-interest loans to students, are integrally tied to the volume of outstanding loans, as well as to 91-day Treasury bill rates. To correct the problems of unnecessary borrowing, program abuse, excessive Federal intrusion into the capital market and excess bank profits, the Department proposes a number of legislative changes discussed in detail in the account summary. Many of these proposed changes would reduce or eliminate interest subsidies to students and lenders.

Guaranteed Student Loans

1. Regular loan program: a. Interest subsidies

1987 Budget Proposal — Continued

The Department is also proposing legislative changes to the other Federal student aid programs to correct problems of excessive reliance on Federal assistance, program abuse, etc. Decreased participation in these programs as a result of the proposed legislative changes would increase GSL borrowing slightly.

Impact Data:

Interest Subsidy Costs
(dollars in millions)

	1985 2/	1986 after Sequestering	Estimates 1/ 1986 3/ Revised	1987 4/
Interest benefits	$1,606	$1,720	$1,549	$1,110
Special allowance, net of origination fees	831	625	908	917
Total	2,437	2,345	2,457	2,027

1/ Estimates for 1986-87 assume adoption of proposed legislative changes.

2/ $259,640,000 in interest benefits costs and $254,172,000 in special allowance costs incurred in 1984 were carried over into 1985. The amount for 1985 does not reflect this carryover of unmet costs.

3/ Includes a proposed supplemental of $65,044,000 to cover currently projected unmet interest benefit costs; reflects a reduction of $34,059,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

4/ Reflects a reduction of $15,423,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Guaranteed Student Loans

1. Regular loan program: a. Interest subsidies

Impact Data - Continued

Net Savings to this Activity Resulting from Proposed Policy[1]
(dollars in millions)

	1986	1987	1988	1989	1990	1991
All Policies Combined	-47	463	754	333	660	691

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[1] Savings show as positive amounts; increased costs as negative amounts. Because many proposed policies will cause savings in more than one activity, and because of substantial interaction effect among proposals, savings by proposal cannot be allocated among activities. The Savings by Proposal table in the Account Summary describes the savings by individual proposal.

Guaranteed Student Loans

1. Regular loan program: b. Insurance costs
   (Higher Education Act, Title IV, Part B)

1987 Authorization: Indefinite

Obligations:

	1986 Currently Available	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase o
Default claims...........	$1,242,000,000	$1,242,000,000	$1,137,620,000 1/	$987,620,000	-$150,000,0
Death, disability and bankruptcy claims...........	49,150,000	49,150,000	49,150,000	48,650,000	-500,0
Contract collection costs....	8,680,000	8,680,000	8,680,000	9,350,000	+670,0
Total obligations......	1,299,830,000	1,299,830,000	1,195,450,000	1,045,620,000	-149,830,0

1/ Reflects guarantee fee receipts of $104,380,000; legislative change proposed to be effective July 1, 1986.

Purpose and Method of Operation

This activity promotes the availability of loans to students for postsecondary education by providing Federal reinsurance to participating State and private nonprofit guarantee agencies for up to 100 percent of their losses in insuring commercial banks and other lenders against borrower default on regular loans. Based on annual default claim experience, an agency's reinsurance rate can drop to 90 or 80 percent. The current average rate of reinsurance exceeds 98 percent. The Department of Education also reimburses guarantee agencies for 100 percent of their losses due to borrower death, disability and bankruptcy.

The guarantee agencies promote lender participation and provide various services to lenders. They must also require collection diligence on the part of lenders as a condition of paying default claims. Once a claim has been paid to the lender, the guarantee agencies collect on defaulted accounts. They return to the Secretary about 65 percent of their collections, depending upon the level of Federal reinsurance and the percentage retained to meet administrative expenses (by statute, up to 30 percent of collections may be retained for this purpose).

Purpose and Method of Operation — Continued

Beginning in 1986 guarantee agencies will be required under current authority to turn over to the Department defaulted accounts on which their collection efforts have not been successful. The Department will then attempt to collect on these accounts and will incur small contract collections costs for this activity.

Prior to July 1984, the Federal Insured Student Loan (FISL) program provided direct Federal insurance for loans to students who did not have reasonable access to State or private nonprofit guarantee agency programs. For directly insured loans made before July 1984, the Department of Education pays the lending institution, in the event of default, 100 percent of the unpaid principal balance plus interest on the defaulted loans. In addition to default claims costs, this activity includes commissions payments to private collection firms which attempt to collect on those defaulted FISL accounts which have been referred to them by the Department, and payments for death, disability and bankruptcy claims.

Once a default claim has been paid by the Secretary, the Department attempts to collect the defaulted amount. In recent years, the Department has increased its efforts to collect on outstanding defaults and to reduce the incidence of default by expanding collection activities, referring defaulted accounts to private collection agencies, sharing information on defaulted accounts with consumer credit bureaus, conducting computer matches to locate defaulters, increased litigation through the Justice Department, and closer monitoring of collection activity. Also, the Department has begun to implement the new statutory authority for offsetting student loan debts against Federal income tax refunds.

Accomplishments

The Federal insurance program for regular loans has successfully promoted the availability of loans for 30 million students. Guarantee agencies now operate the regular loan program in all 50 States, American Samoa, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, the Trust Territory of the Pacific Islands and the Virgin Islands. As guarantee agencies were established and became fully operational throughout the Nation, the need for the FISL program decreased.

Guaranteed Student Loans

1. Regular loan program: b. Insurance costs

1987 Budget Proposal

Gross obligations of $1,045,620,000 are expected to be incurred for projected default claims, related contract collection costs and death, disability and bankruptcy claims. This compares with an expected $1,195,450,000 in insurance cost obligations in 1986.

The projected decrease in insurance costs, which are incurred to promote the availability of loans to students, reflects the Department's proposal to modify the current reinsurance rate formula, while retaining all of the current policy requirements for 100 percent reinsurance. The Department's reinsurance of new guarantee agency insured regular loans made for academic year 1986-87 and beyond would be limited to 90 percent of any default claim, with the reinsurance level dropping to 80 percent or 70 percent depending on the ratio of each agency's net defaults (cumulative defaults minus cumulative collections) to the cumulative amount of loans in repayment at the end of the prior year. This new reinsurance formula would encourage guarantee agencies to prevent defaults and improve collections by imposing greater financial penalties than under current law for inadequate agency default and collection activities and by ensuring that agencies incur at least a small (nine percent) cost for each defaulted loan. This proposal would reduce insurance costs without reducing the availability of insured loans to students. In addition, the Department is implementing, through regulation, increased and more uniform lender and guarantee agency collection "due diligence" requirements.

Receipts from collections on defaulted regular loans (both FISL collections and guarantee agency reimbursements) are estimated to increase from $338,240,000 in 1986 to $527,870,000 in 1987. This increase is attributable to continuing and expanding collection activities, including computer matches to locate defaulters, credit bureau referrals, improved automation, increased litigation, and additional referrals to private collection agencies. It also reflects the Department's proposal to sell a portion of the defaulted loan portfolio to the private sector, which can more efficiently collect on these defaulted accounts. This would increase receipts in 1987 by an estimated $29,970,000.

Guaranteed Student Loans

1. Regular loan program: b. Insurance costs

Impact Data:

Insured and Reinsured Loan Program Measures
(dollars in millions)

	1985	1986 after Sequestering	Estimates 1/ 1986 Revised	 1987
Annual new loan volume	$7,957	$8,991	$7,856	$7,551
Default claims 2/	1,007	1,242	1,242	1,351
Receipts from collections 2/ 3/	242	338	338	528

1/ 1986 and 1987 estimates assume adoption of proposed legislative changes.

2/ Includes interest collections on defaulted FISL loans.

Net Savings to this Activity Resulting from Proposed Policy 1/
(dollars in millions)

	1986	1987	1988	1989	1990	1991
All Policies Combined	$104	$409	$528	$699	$889	$1,062

1/ Savings show as positive amounts; increased costs as negative amounts. Because many proposed policies will cause savings in more than one activity, and because of substantial interaction effect among proposals, savings by proposal cannot be allocated among activities. The Savings by Proposal table in the Account Summary describes the savings by individual proposal.

Guaranteed Student Loans

1. Regular loan program: c. Guarantee agency subsidies
(Higher Education Act, Title IV, Part B)

1987 Authorization: Indefinite

Obligations:

	1986 Currently Available	1986 Available after Sequestering	1987	Increase or Decrease
Administrative cost allowances to guarantee agencies....................	$2,773,000	$2,773,000	—	-$2,773,000
Loan advances to guarantee agency reserve funds.......	—	—	—	—
Total obligations...........	2,773,000	2,773,000	—	-2,773,000

Purpose and Method of Operation

This activity includes two kinds of payments in support of guarantee agencies:

- Administrative cost allowances--The Department of Education is authorized to make discretionary quarterly payments for each of two statutory allowances to guarantee agencies. The primary and secondary allowances are each equal to up to one-half of one percent of newly insured loan volume. To qualify for the secondary allowance, an agency must insure loans to out-of-State residents and must meet certain other conditions. The allowances may be used to meet broad categories of agency costs, and to pay lender incentive fees.

- Advances for guarantee agency reserve funds--Based on statutory formulas and agency applications, interest-free Federal loans of indefinite maturity are made to establish and strengthen agency reserve funds from which default claims are paid.

Accomplishments

Through the provision of advances and administrative cost allowances, the States and territories have been assisted in establishing guarantee agencies. Guarantee agencies now operate in all 50 States, American Samoa, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, the Trust Territory of the Pacific Islands and the Virgin Islands.

1987 Budget Proposal

In previous years, the Department of Education paid the discretionary administrative cost allowances. These allowances are no longer necessary to ensure guarantee agency participation in the GSL program. No funds are requested to support this activity in 1986 (in the 1986 supplemental proposed for later transmittal) or in 1987 or beyond.

Guaranteed Student Loans

1. Regular loan program: c. Guarantee agency subsidies

1987 Budget Proposal — Continued

Administrative cost allowances and loan advances are discretionary payments subject to funding availability. As a result of the 1985 and 1986 funding insufficiencies, the Department suspended all administrative cost allowance and loan advance payments for 1985 and 1986 to conserve funds to meet mandatory program costs. (It should be noted that those payments actually made for these two activities in 1985 and 1986 were for costs related to 1984 activity in order to preserve equity among the States and territories.) Elimination of the cost allowances would require agencies to bear partial responsibility for financing the administration of the GSL program. Loan advances are no longer required to help establish or maintain agency reserve funds. Agencies would still be authorized to retain up to 30 percent of default collections and still could charge insurance premiums to help defray their administrative costs. The Department is also proposing to require guarantee agencies to repay all outstanding advances by October 1, 1987. No guarantee agencies are expected to drop out of the program as a result of these proposed changes.

Impact Data:

Guarantee Agency Subsidies
for Regular Loan Program
(dollars in millions)

			Estimates 1/	
	1985	1986 after Sequestering	1986 Revised	1987
Administrative allowances	$49	$3	$3	—
Loan advances	56	—	—	—
Collections retention allowance1/	65	75	75	$90

1/ Estimated amount agencies retain from their total collections.

Net Savings to this Activity Resulting from Proposed Policy
(dollars in millions)

	1986	1987	1988	1989	1990	1991
Recall of advances	—	$162	—	—	—	—

2. PLUS loan program: a. Interest subsidies
(Higher Education Act, Title IV, Part B)

1987 Authorization: Indefinite

Obligations:

	1986 Currently Available	1986 Available after Sequestering	1987	Increase or Decrease
Special Allowance......	—	—	—	—
Total obligations....	—	—	—	—

Purpose and Method of Operations

The purpose of Federal interest subsidization of PLUS loans is to promote the availability of relatively low-interest postsecondary education loans to students and their parents from commercial banks and other lenders. Although PLUS borrowers are less subsidized than Regular GSL borrowers, their 12 percent interest rate is still lower than market interest rates on comparable loans.

- o Special allowance - This supplemental interest payment to lenders varies with 91-day Treasury bill rates. Quarterly payments to lenders (based on outstanding loan volume) assure that, when added to the borrower's interest, the lender receives a total variable yield equal to the quarterly average of 91-day Treasury bill rates plus 3-1/2 percent, or to the borrower's interest rate, whichever is greater. Because Treasury bill rates are expected to remain below 8.5 percent in 1986-91, no special allowance payments to lenders are projected under current law.

Accomplishments

Through the provision of special allowance interest subsidies and loan reinsurance, 479,000 students and their families have been able to borrow under the PLUS program at less-than-market interest rates in all 50 States, American Samoa, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, the Trust Territory of the Pacific Islands and the Virgin Islands.

1987 Budget Proposal

No obligations are expected to be required to support PLUS loan interest subsidies in 1986 or 1987.

Guaranteed Student Loans

2. PLUS loan program: a. Interest subsidies

1987 Budget Proposal -- Continued

To eliminate unnecessary potential subsidization of the PLUS loan program, the Department is proposing that beginning with loans made for the 1986-87 academic year, no special allowance would be paid on PLUS loans. This policy would reduce Federal intrusion into the capital market and reduce unnecessary lender profits supported by the current special allowance structure.

Other proposed PLUS program improvements which have no projected cost implications include:

- Higher PLUS loan limits ($5,000 annually, $25,000 cumulatively)
- Expanded borrower eligibility
- Lender negotiated interest rates

Impact Data:

PLUS loan Program Measures

	1985	1986 after Sequestering	Estimates 1/ 1986 Revised	1987
Annual new PLUS volume (in millions)	$497	$696	$969	$1,753
Recipients (in thousands)	186	258	377	601

1/ 1986 and 1987 estimates assume adoption of proposed legislative changes.

Proposals for PLUS program improvements with negligible cost impact are:

- Elimination of PLUS special allowance
- Increased PLUS loan limits
- Expanded PLUS borrower eligibility
- Negotiated PLUS interest rates

2. PLUS loan program: b. Insurance costs
(Higher Education Act, Title IV, Part B)

1987 Authorization: Indefinite

Obligations:

	1986 Currently Available	1986 Available after Sequestering	1987	Increase or Decrease
Default claims.............	$18,000,000	$18,000,000	$26,000,000	+$8,000,000
Death, disability and bankruptcy claims......	1,800,000	1,800,000	2,300,000	+500,000
Contract collection costs....................	---	---	50,000	+50,000
Total obligations 1/......	19,800,000	19,800,000	28,350,000	+8,550,000

1/ Excludes $65,000 in 1986 for administrative costs transferred to Salaries and Expenses in 1987.

Purpose and Method of Operation

This activity promotes the availability of PLUS loans for postsecondary education by providing Federal reinsurance to participating State and private nonprofit guarantee agencies for up to 100 percent of their losses in insuring commercial banks and other lenders against borrower default on PLUS loans. Based on annual default claim experience, an agency's reinsurance rate can drop to 90 or 80 percent. The Department of Education also reimburses guarantee agencies for 100 percent of their losses due to borrower death, disability and bankruptcy.

The guarantee agencies promote lender participation and provide various services to lenders. They must also require collection diligence on the part of lenders as a condition of paying default claims. Once a claim has been paid to the lender, the guarantee agencies collect on defaulted accounts. They return to the Secretary about 65 percent of their collections, depending upon the level of Federal reinsurance and the percentage retained to meet administrative expenses (by statute, up to 30 percent of collections may be retained for this purpose).

Beginning in 1986 guarantee agencies will be required under current authority to turn over to the Department defaulted accounts on which their collection efforts have not been successful. The Department will then attempt to collect on these accounts and will incur small contract collections costs for this activity.

Guaranteed Student Loans

2. PLUS loan program: b. Insurance costs

Accomplishments

The Federal PLUS reinsurance program has successfully promoted the availability of PLUS loans for 479,000 students and their families. Guarantee agencies now operate the PLUS loan program in all 50 States, American Samoa, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, the Trust Territory of the Pacific Islands and the Virgin Islands.

1987 Budget Proposal

Gross obligations of $28,350,000 are expected to be incurred for projected PLUS loan default claims, related contract collection costs and death, disability and bankruptcy claims. This compares with an expected $19,800,000 in PLUS insurance cost obligations in 1986.

The increase in PLUS default claims reflects the recent increases in the volume of loans being made and thus subject to default. Annual PLUS loan volume jumped from $30 million in 1981 to almost $500 million in 1985.

To finance this increase in defaults, the Department is proposing the implementation of a one percent PLUS guarantee fee to be charged to borrowers to cover the estimated default and other Federal program costs associated with each year's cohort of borrowers. This guarantee fee, in conjunction with other proposed PLUS program changes, is intended to make the PLUS program self-financing. Additionally, most of the proposed regular loan program improvements, including 90 percent lender insurance, reduced reinsurance, and loan consolidation, will apply to the PLUS program. The Department's proposal to sell defaulted loan portfolio will increase PLUS receipts by $30 thousand in 1987.

Impact Data:

PLUS Loan Program Measures
(dollars in millions)

			Estimates[1]	
	1985	1986 after Sequestering	1986 Revised	1987
Annual new PLUS volume	$497	$696	$969	$1,753
Default claims	9	18	18	26
Receipts from collections	—	1	5[2]	19[2]

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[1] 1986 and 1987 estimates assume adoption of proposed legislative changes.

[2] Includes receipts from proposed PLUS loan guarantee fees and sale of defaulted PLUS loan portfolio.

Guaranteed Student Loans

2. PLUS loan program: b. Insurance costs

Impact Data -- Continued

Net Savings to this Activity Resulting from Proposed Policy[1]
(dollars in millions)

	1986	1987	1988	1989	1990	1991
All Policies Combined	$4	$19	$23	$29	$36	$42

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[1] Savings show as positive amounts; increased costs as negative amounts. Because many proposed policies will cause savings in more than one activity, and because of substantial interaction effect among proposals, savings by proposal cannot be allocated among activities. The Savings by Proposal table in the Account Summary describes the savings by individual proposal.

2. PLUS loan program: c. Guarantee agency subsidies (Higher Education Act, Title IV, Part B)

1987 Authorization: Indefinite

Obligations:

	1986 Currently Available	1986 Available after Sequestering	1987	Increase or Decrease
Administrative cost allowances to guarantee agencies.......	$146,000	$146,000	---	-$146,000
Loan advances to guarantee agency reserve funds.........	---	---	---	---
Total obligations...	146,000	146,000	---	-146,000

Purpose and Method of Operation

This activity includes two kinds of payments in support of guarantee agencies:

- Administrative cost allowances--The Department of Education is authorized to make discretionary quarterly payments for each of two statutory allowances to guarantee agencies. The primary and secondary allowances are each equal to up to one-half of one percent of newly insured loan volume. To qualify for the secondary allowance, an agency must insure loans to out-of-State residents and must meet certain other conditions. The allowances may be used to meet broad categories of agency costs, and to pay lender incentive fees.

- Advances for guarantee agency reserve funds--Based on statutory formulas and agency applications, interest-free Federal loans of indefinite maturity are made to establish and strengthen agency reserve funds from which default claims are paid.

Accomplishments

Through the provision of advances and administrative cost allowances, the States and territories have been assisted in establishing guarantee agencies. Guarantee agencies now operate in all 50 States, American Samoa, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, the Trust Territory of the Pacific Islands and the Virgin Islands.

2. PLUS loan program: c. Guarantee agency subsidies

1987 Budget Proposal

In previous years, the Department of Education paid the discretionary administrative cost allowances. These allowances are no longer necessary to ensure guarantee agency participation in the GSL program. No funds are requested to support this activity in 1986 or in 1987 or beyond.

Administrative cost allowances and loan advances are discretionary payments subject to funding availability. As a result of the 1985 funding insufficiency, the Department suspended all cost allowance and loan advance payments for 1985 to conserve funds to meet mandatory program costs. (It should be noted that payments made for these two activities in 1985 and 1986 were for costs related to 1984 activity.) Elimination of the cost allowances would require agencies to bear partial responsibility for financing the administration of the GSL program. Loan advances are no longer required to help establish or maintain agency reserve funds. Agencies would still be authorized to retain up to 30 percent of default collections and still could charge insurance premiums to help defray their administrative costs. The Department is also proposing to require guarantee agencies to repay all outstanding advances by October 1, 1987.

Impact Data:

Administrative cost allowances and agency advances have traditionally been paid based upon total guarantee agency loan activity, including both Regular loans and PLUS loans. Guarantee agency subsidy impact data associated only with PLUS loans is not available. A complete explanation of the impact of guarantee agency subsidy proposals is included in the impact data provided under the regular loan program activity.

Guarantee Agency Subsidies
for PLUS Loan Program
(dollars in millions)

	1985	1986	1987
Administrative allowances	$3	*	---
Loan advances	3	---	---
Collections retention allowance[1/]	2	5	11

1/ Estimated amount agencies retain from their total collections.

* Negligible

Guaranteed Student Loans

2. PLUS loan program: c. Guarantee agency subsidies

Impact Data -- Continued

Net Savings to this Activity Resulting from Proposed Policy[1]
(dollars in millions)

	1986	1987	1988	1989	1990	1991
Recall of advances	---	$1	---	---	---	---

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[1] Savings are shown as positive numbers.

MONDAY, APRIL 14, 1986.

LIBRARIES

WITNESSES

CHESTER E. FINN, JR., ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND IMPROVEMENT

ANNE MATHEWS, DIRECTOR, LIBRARY PROGRAMS, OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT

ROBERT L. KLASSEN, DIRECTOR, PUBLIC LIBRARY SUPPORT STAFF

FRANK A. STEVENS, DIRECTOR, LIBRARY DEVELOPMENT STAFF

CAROL CICHOWSKI, DIRECTOR, SPECIAL EDUCATION, REHABILITATION AND RESEARCH ANALYSIS DIVISION

Mr. NATCHER. At this time, we take up the budget request for fiscal year 1987 for libraries.

We have before the committee Mr. Chester E. Finn, Jr., the Assistant Secretary for Educational Research and Improvement. Mr. Finn, it is a pleasure to have you before the committee, and before you give us your statement, tell us who you have with you at the table.

INTRODUCTIONS

Mr. FINN. Mr. Chairman, Mr. Conte, thank you very much. To my immediate left is Dr. Anne Mathews, our distinguished new Director of Library Programs in the Office of Educational Research and Improvement. To her left is Bob Klassen, Director, Public Library Support Staff; and to his left, Frank Stevens, Director, Library Development Staff; and to my right is Carol Cichowski, Director, Special Education, Rehabilitation and Research Analysis Division.

Mr. NATCHER. Mr. Finn, we will be pleased to hear from you at this time.

OPENING STATEMENT

Mr. FINN. With your permission, I will submit my full statement for the record, and make some brief opening remarks.

This is my debut before this subcommittee. I might have preferred that my first appearance be tomorrow's events, when I shall invite the subcommittee to increase funds for an important set of activities.

Today, I must urge the Congress to terminate funding for a set of programs that we know are popular, but cannot rank as high as other Federal priorities in an era of very tight resources, and one in which we need stringent deficit reduction measures.

I know the Congress has not been sympathetic to this view in the past. Our reasoning rests on two points. Neither reflects any animosity towards libraries. To the contrary. I, for one, am a frequent library user, and considerable admirer.

The administration believes in the value of libraries for the Nation. It is the view of the Secretary, and my view, that these programs play very minor roles in the overall financing of the Nation's libraries.

In an era of limited resources for the Federal Government, it is less important to maintain these library programs than it is to maintain other programs and activities where the Federal role is central.

Second, because these programs supply such small fractions of library support, we believe it is relatively easier for State, local and private resources and other Federal programs and activities to pick up the slack, if any is left, from the withdrawal of these forms of Federal support.

The dollar figures are striking. According to the National Commission on Libraries and Information Science, in 1982 the Nation's libraries had an aggregate budget of $6.2 billion. The programs before us today, all of them, currently total $127 million, which is to say we are here talking about roughly 2 percent of the Nation's overall library budget from all sources.

PUBLIC LIBRARY SUPPORT

Let me speak very briefly about the two sets of programs before you today. For public libraries, we find one of the strongest traditions of local support that remains in any American public service. Out of approximately $2.8 billion in public library expenditures in 1984, 80 percent came from local sources, 7 percent came from State sources, 9 percent came from other sources including the private sector and charitable giving, and just 4 percent of public library support came from the Federal Government.

When you look at the LSCA program before us, we estimate a bit less than 3 percent came from those programs in combination. This means that 97 percent of public library support came from sources other than the programs before us. These other sources have been growing substantially.

Most localities support public libraries, and so do some 43 States. State spending for public libraries even now is roughly three times total LSCA spending.

COLLEGE AND RESEARCH LIBRARY SUPPORT

Now, turning to college and research libraries, the 118 member libraries of the American Association of Research Libraries had combined operating expenditures last year of a little under $1 billion.

Our Higher Education Act Title II(C) outlay of $6 million that year equaled half of 1 percent of the budget of just 118 of the Nation's research libraries. We simply cannot accept the proposition that these funds, however desirable, are indispensable.

We are talking throughout about indispensability, not about desirability. It is desirable for the Nation to support its libraries. The fact is that this is occurring and continues to occur, and therefore, continued Federal support is not indispensable. At a time like the present, we accordingly recommend that it be dispensed with.

That is all I have to say by way of opening remarks, sir.

[The statement of Mr. Finn follows:]

DEPARTMENT OF EDUCATION

Statement by the Assistant Secretary for Educational Research and Improvement

on

Libraries

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to discuss with you the Department of Education's 1987 budget request for library programs.

Rationale for Zero Budget

Our proposal is straightforward: We are not requesting any money for these programs. We recognize the importance of maintaining high-quality library services throughout the Nation. However, Federal support over the past 30 years has, for all practical purposes, produced the desired widespread results that were intended: making library services accessible to all segments of the Nation's population; curbing the shortage of qualified librarians, which was so critical in the 60's and 70's; and stimulating interlibrary cooperation and resource sharing through establishing telecommunication networks and other methods of linking libraries with one another.

Now that those problems are under control, it is time for the Federal role to diminish and for State and local governments, which are already providing the vast majority of funding for library activities, to assume full responsibility for the support of basic library services. To dramatize the dimension of this support, there are about 3,100 college and university libraries in the Nation which spend annually over $1.9 billion from all sources; of this amount, less than one percent is from Federal sources.

Regarding school libraries and media centers, there are now approximately 71,000 in the Nation, and they spend annually over $1.5 billion from all sources, including funds derived from Chapter 2 of the Education Consolidation and Improvement Act. However, these Federal funds are estimated to be only about $100 million, or 7.5 percent of the total expenditures.

Numerous public library outlets currently serve the public. The majority of these are bookmobile stops, underscoring the special effort public libraries have made to bring services to users. These outlets include approximately 8,600 central libraries, 6,900 branch libraries, and 5,100 other distribution points. According to the Center for Statistics data, these libraries expend over $2 billion annually, of which 80 percent comes from local sources, 7 percent from State sources, and 13 percent from a range of other sources, including about 4 percent from Federal funds.

Terminating the library programs also reflects the Administration's commitment to curtailing unnecessary Federal spending in order to reduce the Nation's deficit.

Library Services and Construction Act

We believe it is now time to end Federal support for the Library Services and Construction Act (LSCA) programs. During the past 30 years, the Federal Government has spent over $2 billion to provide increased access to public library and information services in areas where services were inadequate and for special populations.

Since 1956, when the Public Library Services program began, access to public libraries has increased from 56 percent of the total population to the current figure of about 96 percent, considered to be the highest feasible level.

In 1985, State and local government funds plus support from the private sector accounted for about 96 percent of the total funds spent on public libraries. Most States have already assumed a leadership role in providing public library services, with nearly all States now having programs of State aid to local libraries.

The Public Library Construction program, which assists States in building and renovating libraries, has been a partner with the Public Library Services program in increasing access to library services. After 22 years of Federal support providing about $250 million for over 3,000 construction projects, we feel that State and local governments can now assume fiscal responsibility for library construction needs.

More than $110 million in Federal seed money has enabled the Interlibrary Cooperation program to develop model programs that have helped libraries across the country learn how to share resources and form library networks. Recognizing how important it is for libraries to link together, 22 States now provide nearly $90 million in State aid for these purposes.

Programs to improve library services to Indian tribes and native Hawaiians were authorized by amendments added to LSCA in 1984. Seed money provided in 1985 and 1986 will help Indian tribes and native Hawaiians to develop their own long-range plans to meet their library needs.

The new Library Literacy Programs activity is another in the proliferation of small discretionary programs which are of questionable benefit. It is doubtful that this program, with its very small grants of $25,000 or less, will have a significant impact or will be of interest to most major urban library systems. Furthermore, the number of library literacy projects reported by the States more than doubled between 1980 and 1984 without the aid of this new program, indicating that this program is not necessary to increase the number of literacy projects in public libraries.

Higher Education Act

Through Title II of the Higher Education Act, the Department also supports three small discretionary grant programs to assist libraries. We believe these programs are no longer a critical Federal investment.

The Library Career Training program is no longer necessary because the critical shortage of qualified librarians we experienced in the 1960's and 1970's has now been alleviated. Reports from the Bureau of Labor Statistics indicate there is now an adequate supply of professional librarians to maintain the quality of library services. State grants and loans, as well as Federal student assistance, are available to train needy persons as librarians and information specialists, thus eliminating the need for this small categorical program.

We also see no need for the Library Research and Demonstrations program to continue. This program supports research on the uses of new technology in library and information science. However, use of this technology has now been adequately demonstrated, and the remaining research needs can be met through the Department's other research programs, other Federal agencies, such as the National Endowment for the Humanities, and private foundations and research groups.

The Research Libraries program was intended to assist major research libraries to acquire and preserve materials, promote interinstitutional cooperation, and set up data bases to catalog publications. However, these activities are more appropriately the responsibility of the institutions themselves, which can fund these activities out of their own budgets or through the assistance of the private sector or other Federal agencies. We should like to point out that many of the grants under this program go to the wealthiest institutions in the country.

Proposed FY 1986 Rescission

Besides requesting zero funding for library programs for fiscal year 1987, we are also requesting that some of the fiscal year 1986 funds be rescinded for the same reasons.

The Gramm-Rudman-Hollings deficit reduction legislation required a 4.3 percent sequestration which reduced the fiscal year 1986 Libraries funds from the $127.5 million appropriated to $122 million. We are requesting a further reduction of $33 million in rescissions which would eliminate all fiscal year 1986 funding for library programs except for Public Library Services and Interlibrary Cooperation, leaving $89 million available in 1986. These two programs are not proposed for rescission because they are current-year funded and States have already begun expending the funds.

Summary

We believe that library services are vital to educational excellence and lifelong learning. However, these Federal programs have achieved the task of strengthening all types of libraries over the past 30 years. In a time of limited resources, we do not think these programs warrant funding at the expense of other more pressing needs, since these activities will continue without Federal support and are already, as is appropriate, primarily the responsibility of States, localities and the private sector.

DEPARTMENT OF EDUCATION

Office of Educational Research and Improvement

Biographical Sketch

NAME : Chester Evans Finn, Jr.

POSITION : Assistant Secretary for Educational Research and Improvement and Counselor to the Secretary of Education

BIRTHPLACE AND DATE : Columbus, Ohio, August 3, 1944

EDUCATION : Public Schools of Dayton, Ohio
Graduated, The Phillips Exeter Academy (with high honors), 1962
Bachelor of Arts, Harvard College (cum laude), 1965; Concentration: American History
Master of Arts in Teaching, Harvard University, 1967; Field: Social Studies
Doctor of Education, Harvard University, 1970; Field: Educational Policy and Organization

EXPERIENCE

1985–present : Assistant Secretary for Research and Improvement and Counselor to the Secretary, U.S. Department of Education

1981–1985 : Professor of Education and Public Policy, Vanderbilt University (on leave, 1985 to present)

1977–1981 : Legislative Director, Office of Senator Daniel Patrick Moynihan

1974–1977 : Research Associate in Governmental Studies, The Brookings Institution, Washington, D.C.

1973–1974 : Counsel to the American Ambassador to India

1972–1973 : Special Assistant to the Governor for Education, Commonwealth of Massachusetts

1971–1972 : Director of Policy Analysis, University of Massachusetts

1969–1971 : Staff Assistant to the President, The White House, Washington, D.C.

1968–1969 : Research Assistant, and Assistant to the Director of Programs in Administration, Harvard Graduate School of Education, Cambridge, MA

1967-1968 : Administrative Assistant in the Center for Research and Development on Educational Differences, and Member of the Faculty, Harvard Graduate School of Education

1966-1968 : Graduate Secretary, Phillips Brooks House, Harvard University

1966-1967 : Assistant Director, Harvard Upward Bound Program

1965-1966 : Program Development Aide, Cambridge Economic Opportunity Committee (and Commonwealth Service Corpsman)

OTHER EXPERIENCE

1985 (May) : Visiting lecturer under the auspices of United States Information Service (U.S.I.S.) in Tokyo, Kyoto and Fukuoka, Japan and in Seoul and Pusan, Korea

1974 (January) : Organizer and speaker in U.S.I.S. seminar on "Issues in Contemporary Higher Education," delivered in five Indian cities

1973 (December) : Visiting lecture at Sri Venkataswara University, Tirupati, Andhra Pradesh, India

1971-1972 and 1967-1968 : Course assistant, guest lecturer and section leader at Harvard University for Professors Daniel P. Moynihan and Nathan Glazer; courses in "Urban social policy," "Social science and social policy," and "The politics of education."

1965-1966 : Intern teacher of social studies, Newton High School, Newton, MA

1964 (Summer) : Intern teacher of history, Phillips Exeter Academy, Exeter, NH

1962 : Graduate, The Colorado Outward Bound School

Extensive travel in the U.S.A., Europe, Asia, Africa, Pacific
Numerous books and articles
Participant and speaker at many meetings, seminars, conferences, and hearings

CURRENT MEMBERSHIPS : Phi Delta Kappa, Harvard University Chapter
Member, Cleveland Conference
Member, Higher Educational Colloquium
American Educational Research Association
Committee for the Free World

Mr. **Natcher**. Thank you, Mr. Finn.

Mr. Finn, as you know, each year, since 1983, I believe, the budget request presented to our committee and to Congress generally have left out library funding.

I don't know of any member on this subcommittee or on the full committee that has favored this action down through the years. As you point out, it is a difficult start to make when you propose to leave out $127 million for libraries.

PUBLIC LIBRARY FINANCING

Mr. Finn, tell us if you will, what proportion of the total financing for public libraries is derived from funds provided under the Library Services and Construction Act?

Mr. **Finn**. 2.9 percent by our most recent estimates, sir.

Mr. **Natcher**. Do you know how much is spent annually by State and local governments to operate the public library system?

Mr. **Finn**. Upwards of $2 billion, sir.

Mr. **Natcher**. What has been the trend in spending by State and local governments for public libraries? Has it been up or down?

Mr. **Finn**. Steadily upward over the last 10 years.

Mr. **Natcher**. What is the annual rate of increase in State and local spending for public libraries? 2 percent, 5 percent? Percentage-wise, what would you say, Mr. Finn?

Mr. **Finn**. It has been shifting, but our latest data from the University of Illinois indicate an increase from 1983 to 1984 of about 5 percent after inflation.

Mr. **Natcher**. If Congress approves your request to terminate support, would State and local governments increase their funding, or would public library services be reduced? What would take place, Mr. Finn?

Mr. **Finn**. I cannot, of course, speak for State and local decisions; but it is my firm conviction that they will maintain public libraries in the States and localities, very likely at current funding, though I can't guarantee that.

Mr. **Natcher**. What other Federal programs are available to support public libraries?

Mr. **Finn**. The general revenue sharing program supports public libraries.

Mr. **Natcher**. Well, that goes out this year. Name one that is going to stay with us, Mr. Finn.

Mr. **Finn**. The National Endowment for the Humanities.

Mr. **Natcher**. Do you have any indication that public libraries are able to meet the demand for new forms of library materials such as microcomputer software, videotapes, and so forth?

What information do you have, Mr. Finn?

Mr. **Finn**. May I invite Dr. Mathews to comment on this point?

Ms. **Mathews**. We have been very encouraged by the increase which Dr. Finn has cited in terms of State and local support. Through Interlibrary Cooperation, Title III of LSCA, the Federal Government has put an enormous amount of seed money in over the years, which has encouraged the States to develop regional library service centers which cross over political jurisdictions.

Much of that has been supportive of computer networks and has tied the libraries together in a very unique way to offer service to most rural, isolated people.

Because States have increased their own spending and the local governments have also seen the benefit of having this interlibrary cooperation, we are encouraged that they will continue to support this proven asset.

INFLATION RATE ON BOOK COSTS

Mr. Natcher. What has been the inflation rate in the cost of books over the last five years? Can you give us some idea?

Mr. Finn. Could we get back with an answer for the record, sir?

Mr. Natcher. That would be fine.

[The information follows:]

Price Increases in the Cost of Books

The American Library Association has provided the following information on the cost of hardcover books over the past five years:

Year	Average Price	Percentage of increase or decrease
1984	$29.81	−4.4
1983	31.19	2.8
1982	30.34	13.9
1981	26.63	8.1
1980	24.64	2.8

LIBRARY CLOSINGS

Mr. Natcher. What data do you have concerning the number of public libraries which have closed in recent years? Do you have any information?

Mr. Finn. Can you respond to that, Ms. Mathews?

Ms. Mathews. I only know that I have read in the paper this week that in Louisiana, due to oil revenue problems, some public libraries have been closed.

EVALUATION OF LSCA PROGRAMS

Mr. Natcher. Can you tell us when was the last time your office evaluated the Library Services and Construction Act programs?

Mr. Finn. Before I got here six months ago.

Ms. Mathews. I got here three months ago, but if Mr. Klassen would like to respond to that, he has been here quite a while.

Mr. Klassen. The Library Services and Construction Act, Title I, was evaluated in 1981. Previous to that, there was an evaluation of the Title III program in 1979. This is the Library Services and Construction Act.

Mr. Natcher. Are you planning any new evaluation of these programs? Can you tell us that, Mr. Klassen?

Mr. Finn. We have not currently got them planned, because it is our proposal, of course, that the programs should cease. If you make a recommendation in that direction, we would be happy to take it up with our evaluation office in the Department.

PUBLIC LIBRARY CONSTRUCTION

Mr. **Natcher**. Under library construction, what share of public library construction is derived from Federal funds?

Mr. **Klassen**. The States today put almost $55 million into State aid programs for public library construction at the local level. We consider that a significant level, since the Federal funding is only at $21 million. The States have more than doubled the required matching amount to fund local public libraries.

Mr. **Natcher**. What was the total State estimate of need for public library construction assistance? Do you have any figures on that?

Ms. **Mathews**. The actual amount that was provided, or how much they came in and asked for?

Mr. **Natcher**. Yes, how much did they ask for?

Ms. **Mathews**. According to an old American Library Association survey, 2800 projects.

Mr. **Finn**. The dollar figure we will get back to the subcommittee.

[The information follows:]

Public Library Construction Needs

The Department of Education does not have current estimates of public library construction needs. We are aware, however, of the American Library Association survey which found that over 2,800 local public library projects were projected as needing funds for the 1981–1985 period costing about $2.3 billion.

UNFUNDED CONSTRUCTION PROJECTS

Mr. **Natcher**. For fiscal year 1985, how many requests for public library construction aid were not approved by the States due to a lack of sufficient funds?

Ms. **Mathews**. Actually, that is a difficult figure to come by, because under LSCA, the States come in for a total amount for construction, and they are not obligated to break down exactly how many individual projects they support. However, we estimate from previous experience that twice as many applications were received as could be funded.

Mr. **Natcher**. What information do you have to show how the 1985 funds were used by the States? Do you have any information?

Ms. **Mathews**. Yes, each of the States provides a very detailed plan, and part of that plan has to have an evaluation component, and those are all very carefully evaluated by the technical assistance in Mr. Klassen's office. About half the funds were used for remodeling, particularly to conserve energy and accommodate new technologies. The remainder was divided almost evenly between building additions and construction of new facilities.

Mr. **Natcher**. All right. Thank you.

Mr. Conte?

FEDERAL ROLE IN LIBRARY FUNDING

Mr. **Conte**. Mr. Finn, I want to join with the chairman in welcoming you here on your first shot at carrying the request for zero funding the libraries program. This is at least the fifth year in a row the Subcommittee has been asked to eliminate the program, and, for five years, we have kept it going.

Mr. Finn, do you bring any fresh angle to the debate over our Federal role in supporting this Nation's libraries, or are the cards basically the same?

Mr. FINN. It is new for me. What has changed in the last year or two is the deficit situation, and our choices get more difficult, not easier. This is a set of programs that, however desirable, are dispensable.

It is on that basis we suggest they be dispensed with.

REQUEST FOR REFUNDS FROM SOME STATES

Mr. CONTE. From what I have read, you all have had a hard time instituting the Gramm-Rudman-Hollings cuts, particularly in Title III of the Library Services and Construction Act.

Why was it necessary for you to request that 17 States return funds they had already been allocated? Didn't you know the cuts were coming down the pike before you sent out the money?

Mr. FINN. Mr. Klassen?

Ms. MATHEWS. We did know that.

Mr. KLASSEN. The States were invited to apply on October 1, 1985. 17 States applied for and received their full allocations for LSCA I and III. There were a few additional States that actually applied for 10 percent less than their full allocations because they were not sure what the amounts would be after sequestration.

It turned out we had to ask for the sequestered 4.3 percent back from 17 of those States, and we also allowed grant increases for the others, after the Gramm-Rudman process was finally known to us.

Mr. CONTE. Have all those 17 States complied and returned their money?

Mr. KLASSEN. Yes, and those States that had increases coming to them also received their funds.

Mr. CONTE. Do you have anything detailing the effect this has had on those 17 States?

Mr. KLASSEN. We maintain it had a miminal effect. We are talking about Federal dollars, as Dr. Finn has already indicated, which amount to 4 percent of local library expenditures. Most of the funds come from State and local sources. We have had no complaints from the States on that score.

Ms. MATHEWS. In talking to some of the State librarians last week, they indicated that they understood that this was coming. Therefore, I think they were well prepared for it.

RELEASE OF CONSTRUCTION FUNDS

Mr. CONTE. You also have a number of rescission requests pending, all of which will expire tomorrow; is that correct?

Mr. FINN. We don't give up hope easily, sir.

Mr. CONTE. How quickly will you be able to allocate the Title II construction funds to the States, once that rescission request officially expires?

Mr. FINN. Within days.

Ms. MATHEWS. Yes, we have all the funding plans ready to go, both for Title II and also for the literacy initiative.

Mr. CONTE. You're right on the ball.

Ms. MATHEWS. The announcement has already been made, pending our notification.

Mr. CONTE. Why is it that both Massachusetts and Michigan were awarded Title II funds, which you all then had to go back and ask them to return? Did someone not know about the rescission request, or do your computers know well enough that we wouldn't approve your proposal, so they sent the money out to save time?

Ms. MATHEWS. I don't know the details on that matter. I didn't come until the end of January.

Ms. CICHOWSKI. I will provide an answer for the record, Mr. Conte. I was on maternity leave when that occurred.

[The information follows:]

PREMATURE AWARDS FOR LIBRARY CONSTRUCTION

During the first quarter of fiscal year 1986, there was an administrative error made resulting in the premature awarding of fiscal year 1986 Public Library Construction grants to the States of Massachusetts and Michigan. When the estimated unobligated balance brought forward from fiscal year 1985 was made available on October 16, 1985, these 1985 funds were erroneously used to cover the approved plans for 1986. The error was discovered soon after awards had been granted to the States of Massachusetts and Michigan. Now that the 1986 proposed rescission has been rejected, we are funding those States from whom we have received approved plans.

EFFECT OF RESCISSION DELAYS

Mr. CONTE. You were doing something very useful, anyway.

We are now halfway through the fiscal year and these rescissions are only now expiring. What effect will this delay have on the States' and grantees' ability to expend funds, and do you expect that all the money will be allocated and out buying services by the end of the fiscal year?

Ms. MATHEWS. Yes, we do. They know that Congress has been kind, and I think we will be prepared for this.

EFFECT OF SEQUESTRATION

Mr. CONTE. Do you have any estimates on how many fewer of these construction projects will be made as a result of the Gramm-Rudman cuts?

Ms. MATHEWS. Our estimate is 10 projects.

Mr. CONTE. I am sure you have read, Mr. Finn, about all the cutbacks at the Library of Congress because of Gramm-Rudman: limited evening and weekend hours, fewer publications and services available. Do you have any reports of similar kinds of disruptions in libraries around the country because of the 4.3 percent reduction?

Mr. FINN. The newspaper accounts that Dr. Mathews referred to earlier are not attributable to Gramm-Rudman-Hollings as far as we know, but to fiscal stress at the State and local level.

We are talking about 4.3 percent of something less than 4 percent in terms of the actual impact on local public libraries of Gramm-Rudman-Hollings. We think it is insignificant.

Mr. Conte. Well, it is if you look at it in that way, but if you take my State, we had the proposition two and a half referendum, and that has helped make additional deep cuts in libraries.

Mr. Finn. I don't mean to suggest there are not other forces at work on libraries, but we don't think this particular force has had particular effect.

Mr. Conte. While we are on the topic of the Library of Congress, do you think any of the cuts there will have an effect on the rest of our national library system, particularly because they provide some centralized services like catalog cards to all our libraries?

Mr. Finn. I don't think it is my place to speak on the funding of Congress' own agencies. Clearly, other libraries do rely on the Library of Congress for various services, you are quite correct about that.

Mr. Conte. We may hear from them.

COMPACT OF FREE ASSOCIATION

Mr. Finn, in a number of the Department's programs, we have reductions for the Trust Territories, I guess because of the signing of the Compact of Free Association.

In three of your accounts, Public Library Services, Construction, and Interlibrary Cooperation, you show these funds, which total about $115,000, lapsing and reverting to the Treasury.

Is there something in the law that prevents you from redistributing this money rather than having it lapse?

Ms. Cichowski. We will have to provide an answer for the record, sir.

[The information follows:]

Library Funds Withheld From Trust Territory

Section 514 of the fiscal year 1986 appropriations bill provides that funds in the bill for the Federated States of Micronesia and the Marshall Islands would no longer be available (i.e., would lapse) upon enactment of the Compact of Free Association. The Department is now in the process of determining the specific amounts involved.

Mr. Conte. Do you, or anyone at the table there, have any figures on how much money we are talking about throughout the whole Department in terms of the Trust Territories?

If you want you can get that for the record.

Ms. Cichowski. Yes, sir.

[The information follows:]

Total Department of Education Funds Withheld From Trust Territory

The Department is now in the process of determining the specific amounts from each program which should be withdrawn from the allocations for the Trust Territory of the Pacific Islands. We do not at present have sufficient data to permit us to make equitable calculations of the amounts to be lapsed for the Federated States of Micronesia and the Marshall Islands and the subsequent amount to be made available to the Republic of Palau.

REAUTHORIZATION OF HIGHER EDUCATION ACT

Mr. Conte. Of the programs we funded last year, only two are not authorized at this point for fiscal year 1987, is that correct?

Mr. Finn. That is correct.

Mr. CONTE. Do you know if the authorization for those programs is included in the two versions of the Higher Education Act now moving in Congress?

Mr. FINN. Yes, sir, each of the versions of the Higher Education Act has a version of those two programs in it.

LIBRARY R&D

Mr. CONTE. Under the Training and Demonstrations Program, what kinds of library research and demonstration contracts do you award? What are we studying?

Ms. MATHEWS. I would be happy to supply that without taking the time to go through every one. We did a survey, when I came on board in January, to know what we had been funding in the past. We are very pleased to look over that list of the kinds of things that have made cutting-edge impact on the profession in terms of competencies for training and getting out some innovative information.

And after we know what the word is on the rescission tomorrow, we have a research project which we will be looking at on how technological developments affect and change libraries and information delivery, and focusing on library networks and resource sharing, and take a look at what the workplace and lifestyles and changes in those areas will have as an impact on libraries going toward the year 2000. So, we will be doing some very basic research into issues which will affect all of our Nation's libraries, as part of our new research initiative.

[The information follows:]

LIBRARY RESEARCH AND DEMONSTRATIONS AWARDS: FY 1985

1. Libraries and Literacy Education ($148,037).

Jane Robbins-Carter and Douglas Zweizig, University of Wisconsin, Madison, serve as project directors of a contract to update a 1979 study of the nature and extent of literacy programs among the Nation's libraries. Using that study as a base, a new survey-based study will be conducted to update the findings of the earlier study; to assess the current status of libraries in literacy education; to determine or project an expanded role for libraries in literacy education; identify and describe at least six exemplary literacy programs; and to assess the application and effectiveness of new technology in literacy educational services.

2. Leadership Training, Guidance, and Direction for the Improvement of Public Library and Information Services to Native American Tribes ($209,227).

Project Director, Lotsee Smith, University of Oklahoma, is conducting a demonstration project for the improvement of public library services to Native Americans, including the training and retraining of persons in the principles and practices of and in the development and improvement of public library and information services to Native Americans. She is developing and will disseminate short term training models which can be replicated by other educational agencies in improving public library and information services to Native Americans. She assists and counsels Indian tribes in improving, developing, and expanding such services to Native Americans.

3. The Cooperative System for Public Library Data Collection, A Pilot Project ($36,636).

Mary Jo Lynch, ALA, Research Office administers this procurement which seeks to demonstrate a statistical data-gathering model whereby State Library Agencies will standardize data collection practices for the Nation's public libraries. Six to nine States will be involved in the demonstration, which will lead to primary leadership at the State level, with the Federal Government serving in a coordinating and guidance role. Standardization of the data to be collected will enhance the reliability of the data and its expeditious collection. Co-funded by the Center for Education Statistics ($30,000 of the total).

LIBRARY CAREER TRAINING GRANTS

Mr. **Conte.** Can you provide me a list for the record of all the institutions and organizations that received grants under the Library Career Training Program?

Ms. **Mathews.** Yes, we will be happy to do that.

[The information follows:]

LIBRARY CAREER TRAINING AWARDS: FY 1985

Recipient	No. of Fellowships	Amount
Alabama: Univ. of Alabama	2	$16,000
Arizona: Univ. of Arizona	2	16,000
California: California State U. (L.A.)	1	8,000
Univ. of California (Berkeley)	1	8,000
UCLA	3	28,000
Florida: Florida State Univ.	2	20,000
Georgia: Atlanta Univ.	2	16,000
Hawaii: Univ. of Hawaii	2	16,000
Illinois: Univ. of Chicago	4	36,000
Univ. of Illinois	4	44,000
Iowa: Univ. of Iowa	2	16,000
Kentucky: Univ. of Kentucky	2	16,000
Louisiana: Louisiana State Univ.	1	8,000
Maryland: Univ. of Maryland	2	16,000
Massachusetts: Simmons College	2	16,000
Michigan: Univ. of Michigan	2	20,000
Mississippi: Univ. of Southern Mississippi	1	8,000
Missouri: Univ. of Missouri	2	16,000
New Jersey: Rutgers Univ.	2	20,000
New York: Columbia Univ.	1	12,000
CUNY, Queens College	2	16,000
Long Island Univ.	3	24,000
St. John's Univ.	2	16,000
SUNY (Albany)	2	16,000
SUNY (Buffalo)	3	28,000
North Carolina: North Carolina Central Univ.	2	16,000
Ohio: Kent State Univ.	1	8,000
Pennsylvania: Drexel Univ.	2	16,000
Univ. of Pittsburgh	3	32,000
South Carolina: Univ. of South Carolina	1	8,000
Tennessee: Vanderbilt Univ.	2	16,000
Texas: North Texas State Univ.	1	12,000
Texas Woman's Univ.	3	28,000
Univ. of Houston (Clear Lake)	1	8,000
Washington: Univ. of Washington	1	7,000
Wisconsin: Univ. of Wisconsin (Madison)	1	12,000
Univ. of Wisconsin (Milwaukee)	2	17,100
TOTAL.............................	72 *	636,100

* The degree-level of awards: 57 Master's, 4 Post-Master's, and 11 Doctoral.

RESEARCH LIBRARY GRANTS

Mr. **Conte**. As some of you know, I have been following the Research Libraries program for a number of years, trying to see that all of the funds aren't awarded to the Stanfords and Harvards of the world.

Can you tell me if we are succeeding in that direction, and then provide for the record a list of the grantees in fiscal year 1985?

Ms. **Mathews**. The awards in 1984, have gone to many places besides the Harvards and Stanfords, such as the American Museum of Natural History, New York Public Library, and Syracuse University Library. We have not only taken care of the large libraries, but we have tried to look at some of the others. We will be glad to provide the 1985 list for the record.

[The information follows:]

Research Libraries Awards: Fiscal Year 1985

University of Chicago	$195,000
Detroit Public Library	106,030
Folger Shakespeare Library	89,368
University of Michigan	166,510
University of Michigan	66,256
Princeton University	93,575
University of California at Berkeley	256,500
Stanford University	240,377
Dartmouth College	249,916
George Washington University	99,670
Harvard University	227,092
Ohio University	133,500
University of Pittsburgh	58,680
University of Pittsburgh	91,805
Massachusetts Institute of Technology	217,517
University of Missouri	202,757
Center for Research Libraries	145,000
Columbia University	210,120
University of Hawaii	140,000
University of Rochester	233,000
State Historical Society of Wisconsin	125,460
Art Institute of Chicago	64,093
Brown University	170,845
Georgetown University	94,926
New York Historical Society	65,585
University of Texas	119,671
University of Illinois at Chicago	151,690
New York University	166,887
Boston Public Library	174,543
University of Illinois at Urbana	125,000
University of Kansas	126,147
University of Montana	115,403
University of Vermont	67,777
Johns Hopkins University	93,356
New York Public Library	212,583
University of Notre Dame	58,889
SUNY at Buffalo	109,707
American Museum of Natural History	145,739
Northern Illinois University	141,753
University of Pennsylvania	98,800
Syracuse University	160,000
University of Kentucky	142,080
Academy of Natural Science	55,293
Total	6,000,000

Mr. **Conte**. Good, thank you.

LIBRARY LITERACY PROGRAMS

Mr. **Natcher**. Assuming, Mr. Finn, that your fiscal year 1986 recission proposal is not accepted, how will the funds appropriated for library literacy program be used?

For 1986, an amount of $5 million was added, and I believe under the sequestration order of March 1, it goes down to $4,785,000.

Mr. **Finn**. A very large number of very small grants will be made under this program.

Ms. **Mathews**. Yes, that is because of the way the law reads. These grants will go to public and State libraries, and no grant may exceed $25,000. So, there will be approximately 192 grants, Mr. Chairman.

Mr. **Natcher**. None will receive more than $25,000?

Ms. **Mathews**. Correct.

Mr. **Natcher**. The grants go to how many places?

Ms. **Mathews**. Any public library in the Nation, of which there are some 15,000, and any of the State libraries of the 50 States can apply for these grants.

Mr. **Natcher**. Are any of the literacy programs funded under the Adult Education Act, conducted in public libraries?

Ms. **Mathews**. Yes. Also, we have looked at the LSCA Title I figures, and out of LSCA I, which is the Public Library Services program, we have funded many literacy projects over the last 10 years.

Mr. **Natcher**. In your justifications, you indicate that States are rapidly increasing library literacy programs without Federal involvement. What sort of adult literacy activities have public libraries been undertaking with non-Federal resources?

Ms. **Mathews**. There have been a number of programs that have been operated jointly with other local agencies, such as volunteer groups, that are privately supported, including training volunteers in the Laubach method.

Again, States have used the Title I money to get some of these programs started, and now, as in California, the entire literacy issue is being handled entirely out of State funds.

Mr. **Natcher**. In your objection to this new program, you indicate it is too small to really be effective. Does that mean that you would support a larger Federal effort to help libraries reduce the level of adult illiteracy?

Mr. **Finn**. No, sir. The Department is engaged on many fronts in working to solve the adult illiteracy problem. It is, in fact, our view of this particular program, this large number of very small grants in an area where activity is proliferating, that Federal assistance to launch another small categorical program is not needed.

NEED FOR FURTHER LIBRARIAN TRAINING

Mr. **Natcher**. Under Library Research and Training, is there a need for in-service training of experienced librarians in the uses of new forms of information technology or the marketing of library services to underserved populations?

Mr. **Finn**. Sir, the labor statistics data suggest that the formerly acute shortage of personnel in this area no longer exists. There is always the desire for further advanced training of everybody in every field that I know.

We don't feel that this is a necessary Federal activity. There are many other sources of assistance for people seeking advanced training; some are Federal sources.

Mr. NATCHER. How are these activities coordinated with those of the Library Services and Construction Act, especially Title III, Interlibrary Cooperation?

What would you say, Mr. Klassen?

Ms. MATHEWS. I could speak to that, because I formerly taught in a library school, and we have a number of workshops and in-service training provided by bibliographic networking people, and by vendors to train practicing librarians to use the technology and to come up to speed in these new areas of research.

DISSEMINATION OF LIBRARY RESEARCH FINDINGS

Mr. NATCHER. How are the findings and results of these research projects disseminated to other public and college libraries?

Ms. MATHEWS. In the training programs, which are usually run by library schools or by other groups, such as vendors, we at the national level don't have any responsibility for dissemination; but research we have done in the past through HEA Title II, Part B, is placed into the ERIC data base system.

Mr. FINN. Another form of dissemination is the Alliance for Excellence report, which was paid for with our research funds and which is a response to the Nation at Risk report.

Mr. NATCHER. How much did that cost, Mr. Finn?

Mr. FINN. If memory serves, about $300,000 for the whole project, but that may be high.

Ms. MATHEWS. I don't think I have a budget statement.

Mr. FINN. We will supply the exact cost for the record.

[The information follows:]

COST OF "ALLIANCE FOR EXCELLENCE" REPORT

The "Alliance for Excellence" project was funded over a two-year period (FY 1983 and FY 1984) at a total cost of $252,500.

Ms. MATHEWS. I might add, World Book produced 25,000 copies of Alliance for Excellence, and that is a nice case of a public and private cooperative venture, and they distributed that for free.

OTHER SOURCES OF FUNDS FOR LIBRARY R&D

Mr. NATCHER. In your justifications, you state that library-related research and development projects are funded by other Department of Education programs, and other Federal agencies such as the National Endowment for the Humanities.

For the record, provide a listing of such research and development projects for recent years and place that in the record for us.

Mr. FINN. I would be glad to.

[The information follows:]

OTHER FUNDING FOR LIBRARY-RELATED R&D

The following list of library-related research projects includes only a few examples of Federal support in this area:

CENTER FOR STATISTICS: DEPARTMENT OF EDUCATION

Survey of Public Libraries (Raven Systems and Research, Inc., 1986). Analysis of 1982 data gathered from public libraries.

Library Networks and Cooperative Organizations. (Enterprises for New Directions, Inc., 1985).

Other surveys of academic and school libraries are also underway.

NATIONAL ENDOWMENT FOR THE HUMANITIES

University of Chicago ($1 million): Project is to endow a preservation and acquisitions fund for humanities resources in the Regenstein Library, plus other purposes.

American Antiquarian Society, of Worcester, Mass. ($282,373): Project is to support completion of cataloging and database entry of records of the society's U.S. newspapers (14,450 titles from 50 States).

Research Libraries Group, of Stanford, Calif. ($162,666): Project is to support entry on the RLIN database of more than 21,000 records describing manuscript and archival collections at 12 major research institutions.

NATIONAL SCIENCE FOUNDATION

J.T. Tou, of University of Florida ($113,415): "Advanced Information Technology for Document Processing."

D. Hillman, of Lehigh University ($153,000): "Novel-Purpose Retrieval from Administrative Archives."

J. Katzer, of Syracuse University ($79,231): "Research on Information Retrieval: Document Representation and Information Systems."

OTHER FEDERAL SUPPORT FOR RESEARCH LIBRARIES

Mr. **NATCHER**. Under research libraries, tell us, what is the total level of Federal support for research libraries from all agencies? Can you give us some idea about that?

Ms. **MATHEWS**. Are you talking about the—from all Federal agencies?

Mr. **NATCHER**. Yes.

Ms. **CICHOWSKI**. We will supply it for the record.

[The information follows:]

EXTENT OF FEDERAL SUPPORT FOR RESEARCH LIBRARIES

To the best of our knowledge, it is estimated that approximately $10 million in Federal funding annually supports the Nation's research libraries. This takes into account our Research Libraries program, substantial funding from both the National Endowment for the Humanities and the National Science Foundation, as well as other Federal programs which provide modest support of various kinds.

Mr. **NATCHER**. Give us some idea, if you would please.

Ms. **MATHEWS**. We have supported in 1986 a total of 43 grants totaling about $5.7 million for research library resources in Title II(C) of the Higher Education Act.

Mr. **NATCHER**. All right, Mr. Conte?

FEDERAL STAFFING FOR LIBRARY PROGRAMS

Mr. **CONTE**. How many employees have been reduced in your headquarters, due to the fact you are cutting all these programs out?

Mr. **FINN**. Nothing has yet been cut out. The request to cut them out is present. We have reorganized the library programs within the Office of Educational Research and Improvement. Mrs. Mathews came to direct this unit in which the total staff numbers about 28 people.

Mr. **CONTE**. Last year, how many employees did you have?

Mr. **Finn**. About the same.

Mr. **Conte**. How many do you expect next year?

Mr. **Finn**. Maybe 27.

Mr. **Conte**. What if you don't have any programs. What are you going to do, play bridge?

Mr. **Finn**. No, sir, we wouldn't think of wasting our time. Unless there is a Federal program for support for bridge that I am unaware of, I think I will pass on that one.

SELECTION CRITERIA FOR RESEARCH LIBRARIES

Mr. **Natcher**. Generally, what criteria are used to select grantees and grant amounts under the research libraries program? What can you tell us about that? Do you attempt to distribute the funds to institutions throughout the country, or do you focus on certain areas of the country?

Ms. **Mathews**. We do try for geographic distribution. These are competitive grants, however, for the $5.7 million in the Title II(C) Research Libraries program. We have a distinguished panel of reviewers who look at all of the grant proposals that come in. They are carefully read by at least three members of each of those panels, so that each one of the proposals has three evaluations. Then they are assigned a numerical position, and we fund the top ones.

We have been very scrupulous in funding only those that receive the very highest scores in the competition.

Mr. **Finn**. This is one of the new discretionary grant programs within the library context here, and we are trying to apply the same principle of peer review that we apply to all of our discretionary programs, and that is the process just described.

ACCESS TO RESEARCH LIBRARY MATERIALS

Mr. **Natcher**. In your justifications, you state one of the purposes of the research libraries program is to increase access to the materials held in these libraries. In what ways have your grants increased such access, especially to the public at large?

Mr. **Finn**. In the research libraries area, sir?

Mr. **Natcher**. Yes.

Ms. **Mathews**. I would like to speak to that, if I may, because as a former professor, this area is fairly dear to my heart. I would say that 70 percent of the funding goes for projects having to do with bibliographic control, which means we can enter in the materials which these libraries have, and have been sitting around uncataloged in many instances, and now they are made available to researchers around the country to use.

Mr. **Natcher**. All right, Mr. Conte?

Mr. **Conte**. No further questions.

I didn't look at Mr. Finn's vita here, maybe I should have before I made those comments about the research library money.

Mr. **Finn**. I didn't go to Stanford, sir. I am also very fond of Massachusetts.

CONCLUSION

Mr. NATCHER. Mr. Finn, we want to thank you and your associates for appearing before our committee at this time in behalf of your budget request for Libraries. This matter is always carefully considered on this subcommittee, and we can assure you again, Mr. Finn, we will carefully consider it this year.

Mr. FINN. Thank you, Mr. Chairman.

[The following questions were submitted to be answered for the record:]

AUDIT OF LSCA EXPENDITURES IN ILLINOIS

Mr. Porter: As you may know, the Illinois State Library is experiencing some difficulties with your division regarding the use of LSCA Title I funds for Illinois library systems. By way of review, in 1981-82 the Department conducted an audit for the use of Illinois' Library Services and Construction Act funds for the period June 1977 through December 1980. The result of this audit was that Illinois must repay roughly $11 million in Federal funds to the Department that were declared to have been spent improperly.

It is my understanding that the chief complaint against Illinois is that some of the funds were used for "non-public library" purposes. Yet the Illinois Secretary of State has informed me that the monies were used to promote and improve library services to the public, and that the non-public libraries benefited only indirectly by virtue of the fact that they were library system members. It seems to me that cooperation and exchange among a wide variety of libraries is the essence of a library system and that Illinois is in effect being penalized for promoting wider exchange.

What makes this even more difficult to understand, though, is that from June of 1977 to December of 1980 the Illinois State Library, as required under Title I, submitted a State plan to the Department of Education's program staff which approved the plans for the period in question. $11 million is a lot of money for the Illinois State Library and will create substantial hardships.

Can you comment on this situation?

Mr. Finn: The audit of the Illinois State Library to which you refer covered the period between July 1, 1977 and December 31, 1980. The audit, issued in two parts on June 20, 1983 and September 12, 1983, resulted in the following major findings: (1) failure to account for Federal Library Services and Construction Act (LSCA) (20 U.S.C. 351 et seq.) funds by grant award and year; (2) failure to account for the timely obligation of Federal LSCA funds; (3) inability to reconcile State financial reports submitted to the Department of Education with official State records; (4) use of LSCA Title I funds for Title III purposes; and (5) failure to monitor properly subgrantees receiving funds under the LSCA.

On November 29, 1984, we issued a final letter of determination in this case informing the State that as a result of the violations uncovered by the Federal auditors, the State would have to refund to the Department of Education a total of $10,999,530. The State of Illinois appealed this determination on January 16, 1985, by filing a request for review with the Department's Education Appeal Board.

Currently, the audit is proceeding through the administrative appeal process in accordance with the schedule established by the Education Appeal Board at a prehearing conference on February 25, 1986. We anticipate that the Board will provide a thorough and expeditious review of the significant program compliance and fund accountability questions raised by this audit.

IMPACT OF PROPOSED TERMINATION OF LIBRARY PROGRAMS

Mr. Porter: Your budget request calls for the elimination of Federal funds for libraries. What impact will this have on State library systems?

Mr. Finn: We feel that the impact will be minimal, given the fact that Federal support represents less than 4 percent of the total expenditures from all sources for public libraries. Also, we are pleased to note that State library agencies continue to increase State aid in support of their library systems. In the year 1985/86, 22 States provided State funds in support of cooperative public library and multitype library systems and networks totaling nearly $90 million, or a $5 million increase over the previous year.

Mr. Porter: Are you confident that the States will be able to find alternative sources to make up these cuts?

Mr. Finn: We have reason to believe that is the case, for we also note that in 1985/86, 43 States provided $173.2 million for direct aid to public libraries and $55.9 million for construction of public libraries. These amounts represent a 37 percent increase over the previous year, and they are in addition to the $90 million mentioned above for cooperative library systems.

ACCESS TO PUBLIC LIBRARIES

Mr. Porter: In your professional judgment, has the Public Library Construction program, Title II of the Library Services and Construction Act, satisfactorily completed its mission of improving access?

Mr. Finn: Yes, it has. The construction program was initially authorized in 1965 to complement the Title I Public Library Services program in providing access to services in both urban and rural public libraries. About 3,000 construction projects have been supported with Federal funds approaching one quarter of a billion dollars. These projects were located in cities and towns of all sizes and haved played a vital role in increasing access to public library services.

Mr. Porter: In your justification, you state that access is now estimated to be 96 percent. How is the figure determined?

Mr. Finn: Reports from the States provide these data to us. The 96 percent figure is based on that part of the population having physical access to public library services. While definitions used to calculate this figure vary from State to State, they represent that portion of the population which has access to tax-supported library services.

POSTAL SUBSIDIES FOR THE HANDICAPPED

Mr. Porter: For the second straight year, the budget request does not include money for postal subsidies for free mail for the blind and visually handicapped. I am told that if all postal revenue-forgone funding were eliminated, the impact will be significant on film-sharing circuits, interlibrary loans, and book-by-mail programs for rural and isolated readers. Could you comment on this?

Mr. Finn: We feel that such programs for the blind and handicapped will not necessarily be curtailed because of reduced Federal involvement. It will be the option of State and local governments to replace funds for any social program which is reduced or eliminated by the Federal Government, including the postal subsidies you have mentioned.

DEPARTMENT OF EDUCATION

Libraries

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[LIBRARIES]

[For carrying out, to the extent not otherwise provided, titles I, II, III, IV, and VI of the Library Services and Construction Act (20 U.S.C., ch. 16); and title II, part B except section 224, and part C of the Higher Education Act, notwithstanding the provisions of section 221, $130,000,000: Provided, That $25,000,000 of the sums appropriated shall be used to carry out the provisions of title II of the Library Services and Construction Act and shall remain available until expended and $5,000,000 of the sums so appropriated shall be used to carry out title VI of the Library Services and Construction Act.] (Department of Education Appropriation Act, 1986.)

[Provided further, That notwithstanding any other provision of this Act, amounts otherwise provided by this Act for the following accounts and activities are reduced by the following amounts:]

[LIBRARIES]

["Library construction authorized by title II of the Library Services and Construction Act", $2,500,000.] (Department of Labor, Health and Human Services, and Education and Related Agencies Appropriation Act, 1986.)

Libraries

Amounts Available for Obligation

	1985	1986	1987
Appropriation......................	$125,000,000	$130,000,000	—
Reduction (P.L. 99-178)............	—	-2,500,000	—
Sequester order....................	—	-5,483,000	—
Proposed rescission................	—	-33,017,000	—
Subtotal, adjusted appropriation	125,000,000	89,000,000	—
Unobligated balance, start of year.	486,000	9,459,000	—
Unobligated balance, end of year...	-9,459,000	—	—
Total obligations.............	116,027,000 1/	98,459,000	—

1/ The total obligations at the end of fiscal year 1985 include $1,000 contingently obligated under court order.

Libraries

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. Public library services..........	$75,000,000	$71,774,000	$71,774,000	---
2. Public library construction......	22,500,000	21,533,000	---	---
(Obligations).................	(31,959,000)	(30,992,000)	(9,459,000)	(---)
3. Interlibrary cooperation.........	18,000,000	17,226,000	17,226,000	---
4. Library literacy programs........	5,000,000	4,785,000	---	---
5. Training and demonstrations:				
(a) Library career training......	640,000	612,000	---	---
(b) Library research and demonstrations.............	360,000	345,000	---	---
Subtotal................	1,000,000	957,000	---	---
6. Research libraries...............	6,000,000	5,742,000	---	---
Total.................	127,500,000	122,017,000	89,000,000	---
(Total obligations)...	(136,959,000)	(131,476,000)	(98,459,000)	(---)

NOTES

2. 1986 Revised reflects a proposed rescission of $21,533,000 for Public library construction.

4. 1986 Revised reflects a proposed rescission of $4,785,000 for Library literacy programs.

5(a). 1986 Revised reflects a proposed rescission of $612,000 for Library career training.

5(b). 1986 Revised reflects a proposed rescission of $345,000 for Library research and demonstrations.

6. 1986 Revised reflects a proposed rescission of $5,742,000 for Research libraries.

Libraries

Budget Authority by Object

	1985	1986	1987
Other services: Project contracts...	$364,000	—	—
Grants, subsidies, and contributions.	124,636,000	$89,000,000	—
Total budget authority by object	125,000,000	89,000,000 1/	—
(Obligations)...................	(116,027,000)	(98,459,000)	(—)

1/ Reflects a reduction of $5,483,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; also reflects a proposed rescission of $33,017,000.

Libraries

Summary of Changes

1986 Estimate	$127,500,000
1986 Sequester order	-5,483,000
1986 Proposed rescission	-33,017,000
Total estimated budget authority	89,000,000
(Obligations)	(98,459,000)
1987 Request	—
(Obligations)	(—)
Net change	-89,000,000
(Obligations)	(-98,459,000)

	1986 base 1/	Change from base
Decreases:		
Program:		
1. Public library services--terminate program, eliminating the estimated 5 percent Federal share of total national library costs	$71,774,000	-$71,774,000
2. Interlibrary cooperation--terminate program, eliminating the Federal share of funding for about 230 library resource-sharing projects	17,226,000	-17,226,000
Net change		-89,000,000

1/ Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Libraries

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. Public library services	LSCA, Title I	$80,000,000	$85,000,000
2. Public library construction	LSCA, Title II	50,000,000	50,000,000
3. Interlibrary cooperation	LSCA, Title III	25,000,000	30,000,000
4. Library literacy programs	LSCA, Title VI	5,000,000	5,000,000
5. Training and demonstrations	HEA, Title II, Part B	35,000,000 1/2/	---
6. Research libraries	HEA, Title II, Part C	15,000,000 2/	---
Unfunded authorizations:			
Foreign language materials acquisition	LSCA, Title V	1,000,000	1,000,000
College library resources	HEA, Title II, Part A	35,000,000 2/	---
Special purpose grants	HEA, Title II, Part B	--- 1/2/	---
Total definite authorizations..............		246,000,000	171,000,000

1/ A total of $35,000,000 is authorized for Training, Demonstrations, and Special Purpose Grants.

2/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

Note: LSCA, Title IV, mandates setasides of 1.5% for Indian tribes and 0.5% for Hawaiian natives, to be taken from the total amount appropriated for each of LSCA Titles I, II, and III.

Libraries

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation [1]
1978	$79,212,000	$83,712,000	$87,712,000	$85,712,000
1979	65,237,000	82,975,000	89,975,000	86,475,000
1980	66,237,000	84,475,000	75,500,000	79,488,000
1981	87,488,000	86,655,000	84,405,000	84,405,000
1982	58,117,000	83,667,000	80,500,000	80,080,000
1983	—	130,080,000	130,320,000	130,320,000
1984	—	88,800,000	83,400,000	86,880,000
1985	—	86,880,000	150,000,000	125,000,000
1986	—	123,680,000	130,000,000	127,500,000
1986 Sequester	-5,483,000			
1986 Proposed Rescission	-33,017,000			
1987	—			

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[1] Reflects enacted supplementals, rescissions and reappropriations.

Libraries

Account Summary

	1985	1986	1987
1. Public library services......	$75,000,000 1/	$71,774,000 1/	—
2. Public library construction..	25,000,000 1/	—	—
(Obligations)................	(16,027,000)	(9,459,000)	(—)
3. Interlibrary cooperation.....	18,000,000 1/	17,226,000 1/	—
4. Library literacy programs....	—	—	—
5. Training and demonstrations:			
a. Library career training...	636,000	—	—
b. Library research and demonstrations...........	364,000	—	—
Subtotal..............	1,000,000	—	—
6. Research libraries...........	6,000,000	—	—
Total budget authority..	125,000,000	89,000,000 2/	—
(Obligations)...........	(116,027,000)	(98,459,000)	(—)

1/ P.L. 98-480 mandates setasides of 1.5% for Indian tribes and 0.5% for Hawaiian natives from the total amount appropriated for each of LSCA titles I, II, and III.

2/ Reflects a reduction of $5,483,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; also reflects a proposed rescission of $33,017,000.

No funding for programs in the Libraries account is requested in fiscal year 1987. This proposal is based on the recognition that State and local governments already provide the majority of funding for library activities, and it is appropriate that they now assume full responsibility for basic library services. Other public and private sources of funds can be made available in support of the library discretionary activities. Eliminating the library programs also reflects the Administration's commitment to reducing unnecessary Federal spending in order to reduce the deficit.

No funds are requested for Public Library Services and Interlibrary Cooperation because States now have a greater capability of utilizing interlibrary cooperation and networking to maintain those basic services which are deemed necessary at both the State and local levels. Over a period of about 30 years, more than $2 billion in Federal funds has been used to provide increased access to public library and information services in areas where services were inadequate and for special populations. These funds have assisted the States in extending public library services to nearly every feasible area of the Nation and in improving access for various target groups including the disadvantaged, limited-English proficient, elderly, State institutionalized,

Libraries

Account Summary--Continued

and blind and physically handicapped. Moreover, these funds have improved the ability of States to extend services through the cooperative efforts of resource sharing and networking.

Most library contruction funding is already provided by non-Federal sources. In the absence of a clear need for the Federal Government to assist States in providing additional or remodeled public library facilities in order to make library services accessible, no funds are requested for the Public Library Construction program. In fact, access to the services of public libraries has reached its highest practical level, with an estimated 96 percent of the U.S. population having such access.

In the Library Services and Construction Act Amendments of 1984, Congress authorized new library service programs for Indian tribes and native Hawaiians, programs which will not be operated through State library agencies. These programs are funded through mandatory setasides from LSCA titles I, II, and III. The 1985 setaside funds and the reduced level proposed for 1986 will serve as seed money to encourage library improvement through the direct involvement of Indians and native Hawaiians.

The remaining programs, authorized by the Higher Education Act, plus the newly funded literacy initiative directed to the public libraries, are much smaller in size and are not a critical Federal investment. The impact of eliminating these programs should be minimal, particularly since they have generally fulfilled their original purposes and other sources of funding are available. The Library Career Training and the Library Research and Demonstrations programs support small discretionary activities which can be appropriately financed through other Federal, State, local and private efforts. Other Federal, as well as non-Federal, sources of funds can be made available where necessary to continue activities previously supported by the Research Libraries program. Finally, the new Library Literacy Programs activity is another in the proliferation of small discretionary programs which are of questionable benefit; its grants by law may not exceed $25,000 and are probably too small to be of interest to most major urban library systems. In any case, States are rapidly increasing literacy programs without Federal involvement.

Libraries

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1. Public library services
   (Library Services and Construction Act, Title I)

1987 Authorization: $85,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$75,000,000 1/	$71,774,000 1/	—	-$71,774,000 1/

1/ P.L. 98-480 mandates setasides of 1.5% for Indian Tribes and 0.5% for Hawaiian natives.

Purpose and Method of Operation

The purposes of this program are to:

-- extend and improve public library services in areas that are without services or in which these services are inadequate;

-- improve and strengthen library administrative agencies;

-- make library services more accessible to persons who by reason of distance, residence, physical handicap or other disadvantages are unable to receive the benefits of public library services; and

-- strengthen major urban resource libraries.

Funds for this current-funded program are distributed to State libraries through a formula based on total resident population, but with a $200,000 minimum for the 50 States, D.C., and Puerto Rico, and a $40,000 minimum for the other outlying areas. The State and local matching requirements range from 33 percent to 66 percent, with States providing matching funds in proportion to their per capita income. The legislation provides that when the appropriation exceeds $60 million the additional funds be distributed by the States to support and expand major urban resource libraries. The 1984 amendments place additional emphasis on service to the elderly and authorize projects which assist libraries to serve as community information and referral centers.

Accomplishments

This program has fulfilled its purpose of extending access to the services of public libraries to all segments of the Nation's population. It was initially created to provide seed money to States for extending public library services to the unserved rural population and was later expanded to include other disadvantaged persons, including the urban poor, elderly, limited English-speaking, handicapped, and State institutionalized persons. Evaluations have shown that about 96 percent of the total population now has access to such services, compared to only 56 percent in 1956 when the program began. Those who do not have access to public library services either live in remote areas or live in areas which choose not to provide local support for public libraries.

Libraries

1. Public library services

1987 Budget Proposal

This program, for all practical purposes, has met its goal of extending access to the Nation's total population. State and local governments should now assume total responsibility for the provision of public library services. In 1985, State and local government funds plus support from the private sector accounted for about 95 percent of the total funds spent on public libraries, with the Federal proportion standing at a modest level of about 5 percent. Most States are in a strong position to assume a leadership role in the provision of public library services, with nearly all States now having programs of State aid to local libraries.

Impact Data (Estimated)	1985	1986 after Sequestering	1987
Disadvantaged persons served.....	3,000,000	3,000,000	*
Limited-English-proficient persons served..................	2,900,000	2,900,000	*
Blind and physically handicapped persons served..................	1,000,000	1,000,000	*
State institutionalized persons served........................	900,000	900,000	*

* Because Federal funding is only a small proportion of total funding for library services, it is likely that many, if not most, projects would continue in the absence of Federal funding. States may choose to increase funding from non-Federal sources, or to decrease the level of services rather than the access to such services or the number of projects.

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2. Public library construction
   (Library Services and Construction Act, Title II)

1987 Authorization: $50,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$22,500,000 [1]	$21,533,000 [1]	—	—	—
(31,959,000)	(30,992,000)	($9,459,000)	(—)	(-$9,459,000)

[1] P.L. 98-480 mandates setasides of 1.5% for Indian tribes and 0.5% for Hawaiian natives.

Purpose and Method of Operation

The purpose of this program is to ensure that local public library facilities are available for the provision of public library services. States may approve projects for the construction of new buildings, for the acquisition, expansion, remodeling, and alteration of existing buildings (including architects' fees and the cost of the acquisition of land), and for the initial equipment of any such buildings.

Funds appropriated for this program remain available until expended and are distributed to States through a formula based on total resident population, but with a minimum of $100,000 for the 50 States, D.C., and Puerto Rico, and a minimum of $20,000 for the other outlying areas. The State and local matching requirements range from 50 percent to 66 percent, with States providing matching funds in proportion to their per capita income. P.L. 98-480 requires that the Federal share of the cost of each individual project shall not exceed half of the total cost of the project.

Accomplishments

The Public Library Construction program, first funded in fiscal year 1965, was created in order to complement the Public Library Services program in providing access to the services of public libraries in both urban and rural areas. This program has supported about 3,000 construction projects with Federal funds approaching one quarter of a billion dollars. These projects were located in cities and towns of all sizes and have played a vital role in increasing access to public library services, access which is now estimated at 96 percent of the total population compared with only 56 percent during the 1950s.

Libraries

2. Public library construction

1987 Budget Proposal

No funds are requested for the Public Library Construction program. This program and the Public Library Services program have been successful in assisting the States to provide access to the services of public libraries to nearly every citizen. This access is now at the highest practical level, covering about 96 percent of the Nation's population. Further provision of public library facilities should be a State and local responsibility. As an indication of the ability and willingness of the States to support construction, State and local governments overmatched the 1983 Federal grants at a 2:1 ratio; the required ratio is 1:1, on average.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Estimated number of projects receiving Federal support........	245	220	—*	—*

* Much of the funding for these projects is provided by non-Federal sources. While States may choose to discontinue some projects in the absence of Federal subsidies, they are more likely to substitute non-Federal funds, to decrease the level of funding for and scope of the project, or to stretch completion of the project over a longer period of time.

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3. Interlibrary cooperation
(Library Services and Construction Act, Title III)

1987 Authorization: $30,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$18,000,000 1/	$17,226,000 1/	---	-$17,226,000 1/

1/ P.L. 98-480 mandates setasides of 1.5% for Indian Tribes and 0.5% for Hawaiian natives.

Purpose and Method of Operation

The purpose of this program is to improve the efficiency and effectiveness of the Nation's library services. Funds are used by States to stimulate interlibrary cooperation and resource sharing among all types of libraries: school libraries, academic libraries, public libraries, and other special libraries.

Awards for this current-funded program are made to State libraries according to a formula based on total resident population, but with a minimum of $40,000 for the 50 States, D.C., and Puerto Rico, and a $10,000 minimum for the other outlying areas. Matching funds are not required.

Accomplishments

Interlibrary cooperation and loans between library systems were virtually nonexistent prior to the initiation of this Federal program in fiscal year 1967. Since that time, over $111 million in Federal funds has been expended for (a) projects linking libraries through telecommunication systems to data bases, (b) resource sharing projects not linked to automation, and (c) training of library personnel to handle resource sharing and the technological advances inherent in the more complex library networking. In recognition of the cost-saving benefits derived from these projects, 28 States in 1984/1985 are providing State aid for such purposes, totaling almost $85 million.

1987 Budget Proposal

No funds are requested for fiscal year 1987 for this program. The seed money from this program has supported the establishment of many interlibrary networks, involving two or more types of libraries at the local, regional, State, or interstate level. These networks have served and are continuing to serve as models for the continuation of this approach by State and local governments, as evidenced by the level of State support.

Libraries

3. Interlibrary cooperation

Impact Data	1985	1986 after Sequestering	1987
Estimated number of projects receiving Federal support.............	230	230	—*

* Much of the funding for these projects is provided by non-Federal sources. In the absence of Federal funding, States may choose to discontinue some projects. However, because of the recognized benefits of interlibrary cooperation, States are more likely to decrease the level or scope of the project to reflect the lack of Federal subsidies, or to replace Federal funds with funds from other sources.

4. Library literacy programs
(Library Services and Construction Act, Title VI)

1987 Authorization: $5,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$5,000,000	$4,785,000	---	---	---

Purpose and Method of Operation

The purpose of this program is to promote literacy training programs in the Nation's public libraries in order to combat the problem of functional illiteracy among adults.

This program provides funds for competitive grants not only to local public libraries but also to State library administrative agencies. These grants, which by law may not exceed $25,000, are to be used by State library administrative agencies for the purposes of coordinating and planning library literacy programs and of making arrangements for training librarians and volunteers to carry out such programs. Grants to local public libraries are for the purposes of (1) promoting the use of the voluntary services of individuals, agencies, and organizations in providing literacy programs, (2) acquisition of materials for literacy programs, and (3) using library facilities for such programs.

Accomplishments

No grants have been awarded through this program, for which funds were first appropriated in fiscal year 1986.

1987 Budget Proposal

No funds are requested for Library Literacy Programs for 1987. This, coupled with a rescission of the fiscal year 1986 funds for this program, would prevent the unwise initiation of an additional small discretionary program. The number of library literacy projects reported by the States more than doubled between 1980 and 1984 without the aid of this new program, indicating that this program is not necessary to increase the number of literacy projects in public libraries. Further, it is doubtful that this program, with its very small grants of $25,000 or less, would even be effective.

Impact Data

	1985	1986 after Sequestering	1986 Revised	1987
Estimated number of projects:				
At the State level.........	---	14	---	---
In local libraries.........	---	176	---	---

5. Training and demonstrations
(Higher Education Act, Title II, Part B)

1987 Authorization: Expired

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$1,000,000	$957,000	---	---	---

Purpose and Method of Operation

The Library Career Training and the Library Research and Demonstrations programs were authorized jointly under title II, part B of the Higher Education Act.

The Library Career Training program is a discretionary grant program that provides assistance to institutions of higher education and library organizations or agencies to train or retrain individuals for service in all types of libraries and information centers. The purpose is to provide training opportunities for professionals and paraprofessionals in library and information services through fellowships, traineeships, and institutes. The objectives are to increase opportunities for minorities and disadvantaged groups; to assist minorities and women in obtaining the skills necessary for their professional advancement; and to provide opportunities for people in the profession to upgrade their skills or to learn new techniques of information transfer and communication technology.

The Library Research and Demonstrations program encourages efficiency in providing library and information services by demonstrating the applicability of technology to library services, and the potential for new kinds of cooperative activities among libraries. The program also demonstrates ways to improve services to specialized library users who have been bypassed by the traditional systems. Discretionary grants and contracts are awarded to support research and demonstration projects to improve libraries and information technologies, and to disseminate the results of these projects.

Accomplishments

The Library Career Training program was established for the purpose of fully staffing the Nation's libraries with qualified paraprofessional and professional librarians. This purpose has been achieved. Reports from the Bureau of Labor Statistics indicate there is now an adequate supply of professional librarians to maintain the quality of basic library services.

Accomplishments -- continued

Many Library Research and Demonstrations projects have been supported with Federal funds since the program began in 1967, and the findings and/or demonstration sites that resulted remain relevant today. Several projects have been successful locally and others have had national impact, such as the series of projects which contributed to the development and improvement of the first national library network.

1987 Budget Proposal

The Training and Demonstrations programs are both proposed for termination.

The critical shortage of librarians experienced in the 1960s and early 1970s no longer exists, eliminating the need for a separate, categorical program to train career librarians. Moreover, the variety of Federal and State grant and loan programs for professional training has expanded since the 1960s. Today, Federal student aid programs and State and local efforts are available to adequately support those needs for retraining or skill upgrading for librarians that currently exist.

The Library Research and Demonstrations program is a very small discretionary program which should now be terminated as a separate entity. It has achieved its purpose of demonstrating the use of technology and interlibrary cooperation, and the extention of library services to non-traditional users. Hence a separate program for these purposes is no longer needed. Research projects which benefit the library community have been and will continue to be funded by other Department of Education programs, such as Education Research and Improvement, by other Federal agencies, such as the National Endowment for the Humanities, and by private foundations and research groups.

Impact Data

	1985	1986 after Sequestering	1986 Revised	1987
Number of fellowships for librarians (estimated)..	72	69	---	---
Number of library research and demonstration contracts (estimated)......	3	3	---	---

6. Research Libraries
(Higher Education Act, Title II, Part C)

1987 Authorization: Expired

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$6,000,000	$5,742,000	—	—	—

Purpose and Method of Operation

The purpose of this discretionary grant program is to strengthen major research library collections, both private and public, and to make these collections available to individual researchers, scholars, and to other libraries. The program is forward funded. The major objectives are the following:

-- to promote inter-institutional cooperation;
-- to assist research libraries in acquiring distinctive, unique, and specialized resource materials;
-- to preserve unique materials; and
-- to increase access to research materials.

Accomplishments

The Research Libraries program, first funded in 1978, was authorized as a means of strengthening the Nation's major research libraries. To date, 96 separate research libraries have received at least one grant or subgrant each to be used for collection development, networking and interlibrary loans, preservation of unique and endangered materials, or adding materials to the data base making them widely accessible. Through the concentration of grants in areas of greatest need, this program has strengthened the research library field to the point that any additional funds which may be required can be provided by other Federal agencies, State or local government, or private funds in areas of specialized interest.

1987 Budget Proposal

Funding of the Research Libraries program is proposed for termination. A large number of the project grants go to institutions which are among the wealthiest in the Nation and which could fund such projects themselves. For less wealthy institutions, State, local and private sources of funds are available for strengthening research library resources; and more specialized support will continue to be available from other public agencies, such as the National Endowment for the Humanities.

Libraries

6. Research Libraries

Impact Data

	1985	1986 after Sequestering	1986 Revised	1987
Number of projects (est.)	45	43	—	—

Libraries

Public Library Services [1/]

State or Outlying Area	1985	1986	1987
TOTAL	$75,000,000	$71,774,000 [2/]	—
Alabama	1,253,019	1,195,607	—
Alaska	318,635	320,901	—
Arizona	972,731	946,519	—
Arkansas	816,421	784,395	—
California	6,798,937	6,530,564	—
Colorado	1,020,559	990,755	—
Connecticut	1,035,254	988,995	—
Delaware	360,317	352,320	—
Florida	2,996,472	2,900,029	—
Georgia	1,709,122	1,640,753	—
Hawaii	466,394	455,877	—
Idaho	461,050	448,085	—
Illinois	3,263,668	3,084,019	—
Indiana	1,664,768	1,575,401	—
Iowa	976,471	929,928	—
Kansas	843,408	809,781	—
Kentucky	1,186,487	1,133,272	—
Louisiana	1,371,120	1,316,005	—
Maine	503,535	487,799	—
Maryland	1,340,926	1,280,564	—
Massachusetts	1,736,376	1,648,544	—
Michigan	2,635,758	2,474,740	—
Minnesota	1,304,321	1,241,605	—
Mississippi	886,426	848,741	—
Missouri	1,520,482	1,447,462	—
Montana	415,093	404,852	—
Nebraska	624,574	601,159	—
Nevada	434,064	425,463	—
New Hampshire	453,302	440,796	—
New Jersey	2,184,464	2,076,095	—
New Mexico	565,257	551,642	—
New York	4,893,830	4,639,639	—
North Carolina	1,808,252	1,727,218	—
North Dakota	379,556	371,171	—
Ohio	3,078,234	2,898,520	—

Libraries

Public Library Services[1]

State or Outlying Area	1985	1986	1987
TOTAL	$75,000,000	$71,774,000[2]	—
Oklahoma	1,061,974	1,031,977	—
Oregon	912,879	868,095	—
Pennsylvania	3,374,020	3,188,330	—
Rhode Island	454,638	440,293	—
South Carolina	1,062,241	1,018,404	—
South Dakota	385,434	375,696	—
Tennessee	1,444,064	1,375,324	—
Texas	4,295,846	4,166,091	—
Utah	619,765	606,688	—
Vermont	338,942	331,960	—
Virginia	1,665,570	1,596,514	—
Washington	1,342,530	1,281,318	—
West Virginia	723,971	693,153	—
Wisconsin	1,467,845	1,392,919	—
Wyoming	336,003	329,698	—
District of Columbia	367,265	356,592	—
Puerto Rico	1,067,051	1,019,911	—
American Samoa	48,844	48,495	—
Guam	69,392	67,825	—
N. Mariana Islands	44,622	44,474	—
Trust Territory	71,556	70,515 [3]	—
Virgin Islands	66,265	65,512	—
Mandated setaside for Indian tribes and native Hawaiians	1,500,000	1,435,000	—

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[1] Distributed with a basic amount of $200,000 to each of the 50 States, D.C., and Puerto Rico and $40,000 to each Outlying Area; the remainder distributed on the basis of total resident population as of July 1982 for FY 1985, and as of July 1983 for FY 1986.

[2] Reflects a reduction of $3,226,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

[3] At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986.

Libraries

Public Library Construction 1/

State or Outlying Area	1985	1986	1986 Revised	1987
TOTAL	$25,000,000	$21,533,000 2/	---	---
Alabama	421,430	363,355	---	---
Alaska	136,213	131,980	---	---
Arizona	335,873	297,467	---	---
Arkansas	288,160	254,583	---	---
California	2,114,302	1,774,544	---	---
Colorado	350,473	309,168	---	---
Connecticut	354,958	308,703	---	---
Delaware	148,936	140,291	---	---
Florida	953,613	814,204	---	---
Georgia	560,654	481,104	---	---
Hawaii	181,316	167,684	---	---
Idaho	179,685	165,623	---	---
Illinois	1,035,174	862,873	---	---
Indiana	547,115	463,817	---	---
Iowa	337,015	293,079	---	---
Kansas	296,398	261,298	---	---
Kentucky	401,122	346,867	---	---
Louisiana	457,480	395,203	---	---
Maine	192,653	176,128	---	---
Maryland	448,264	385,828	---	---
Massachusetts	568,973	483,165	---	---
Michigan	843,506	701,708	---	---
Minnesota	437,090	375,523	---	---
Mississippi	309,529	271,603	---	---
Missouri	503,073	429,975	---	---
Montana	165,656	154,187	---	---
Nebraska	229,600	206,113	---	---
Nevada	171,447	159,639	---	---
New Hampshire	177,320	163,695	---	---
New Jersey	705,751	596,260	---	---
New Mexico	211,493	193,015	---	---
New York	1,532,775	1,274,361	---	---
North Carolina	590,913	503,976	---	---
North Dakota	154,809	145,278	---	---
Ohio	978,571	813,805	---	---

Libraries

Public Library Construction[1]

State or Outlying Area	1985	1986	1986 Revised	1987
TOTAL	$25,000,000	$21,533,000[2]	—	—
Oklahoma	363,115	320,072	—	—
Oregon	317,604	276,723	—	—
Pennsylvania	1,068,858	890,465	—	—
Rhode Island	177,727	163,562	—	—
South Carolina	363,196	316,482	—	—
South Dakota	156,603	146,474	—	—
Tennessee	479,746	410,894	—	—
Texas	1,350,242	1,149,100	—	—
Utah	228,132	207,576	—	—
Vermont	142,412	134,906	—	—
Virginia	547,360	469,402	—	—
Washington	448,753	386,027	—	—
West Virginia	259,940	230,448	—	—
Wisconsin	487,005	415,548	—	—
Wyoming	141,514	134,307	—	—
District of Columbia	151,057	141,421	—	—
Puerto Rico	364,664	316,881	—	—
American Samoa	22,700	22,247	—	—
Guam	28,972	27,360	—	—
N. Mariana Islands	21,411	21,183	—	—
Trust Territory	29,632	28,072 [3]	—	—
Virgin Islands	28,017	26,748	—	—
Mandated setaside for Indian tribes and native Hawaiians	500,000	431,000	—	—

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[1] Distributed with a basic amount of $100,000 to each of the 50 States, D.C., and Puerto Rico and $20,000 to each Outlying Area; the remainder distributed on the basis of total resident population as of July 1982 for FY 1985, and as of July 1983 for FY 1986.

[2] Reflects a reduction of $967,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

[3] At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986.

Libraries

Interlibrary Cooperation [1/]

State or Outlying Area	1985	1986	1987
TOTAL	$18,000,000	$17,226,000 [2/]	---
Alabama	299,655	285,839	---
Alaska	69,253	69,853	---
Arizona	230,541	224,333	---
Arkansas	191,998	184,301	---
California	1,667,178	1,603,169	---
Colorado	242,335	235,256	---
Connecticut	245,959	234,822	---
Delaware	79,531	77,611	---
Florida	729,559	706,702	---
Georgia	412,122	395,757	---
Hawaii	105,688	103,182	---
Idaho	104,370	101,258	---
Illinois	795,445	752,134	---
Indiana	401,185	379,620	---
Iowa	231,464	220,237	---
Kansas	198,653	190,570	---
Kentucky	283,250	270,447	---
Louisiana	328,777	315,569	---
Maine	114,846	111,064	---
Maryland	321,332	306,817	---
Massachusetts	418,843	397,681	---
Michigan	640,614	601,688	---
Minnesota	312,305	297,197	---
Mississippi	209,260	200,190	---
Missouri	365,607	348,029	---
Montana	93,038	90,583	---
Nebraska	144,692	139,056	---
Nevada	97,716	95,672	---
New Hampshire	102,460	99,458	---
New Jersey	529,333	503,253	---
New Mexico	130,066	126,829	---
New York	1,197,414	1,136,254	---
North Carolina	436,566	417,107	---
North Dakota	84,275	82,266	---
Ohio	749,720	706,330	---

Libraries

Interlibrary Cooperation [1]

State or Outlying Area	1985	1986	1987
TOTAL	$18,000,000	$17,226,000 [2]	—
Oklahoma	252,547	245,435	—
Oregon	215,783	204,969	—
Pennsylvania	822,656	777,891	—
Rhode Island	102,789	99,334	—
South Carolina	252,613	242,084	—
South Dakota	85,725	83,383	—
Tennessee	346,764	330,216	—
Texas	1,049,961	1,019,324	—
Utah	143,506	140,421	—
Vermont	74,261	72,584	—
Virginia	401,383	384,833	—
Washington	321,727	307,004	—
West Virginia	169,202	161,772	—
Wisconsin	352,628	334,560	—
Wyoming	73,536	72,025	—
District of Columbia	81,244	78,666	—
Puerto Rico	253,799	242,456	—
American Samoa	12,181	12,098	—
Guam	17,247	16,871	—
N. Mariana Islands	11,140	11,105	—
Trust Territory	17,781	17,535 [3]	—
Virgin Islands	16,477	16,300	—
Mandated setaside for Indian tribes and native Hawaiians	360,000	345,000	—

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[1] Distributed with a basic amount of $40,000 to each of the 50 States, D.C., and Puerto Rico and $10,000 to each Outlying Area; the remainder distributed on the basis of total resident population as of July 1982 for FY 1985, and as of July 1983 for FY 1986.

[2] Reflects a reduction of $774,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

[3] At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986.

MONDAY, APRIL 14, 1986.

DEPARTMENTAL MANAGEMENT

WITNESSES

BRUCE M. CARNES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION
ALICIA CORO, ACTING ASSISTANT SECRETARY FOR CIVIL RIGHTS
JAMES M. THOMAS, INSPECTOR GENERAL
JOHN C. YAZURLO, DEPUTY INSPECTOR GENERAL
THOMAS P. SKELLY, DIRECTOR, BUDGET SYSTEMS DIVISION, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION

Mr. NATCHER. We take up at this time "salaries and expenses" for the Department of Education. We have before the committee Mr. Bruce M. Carnes, the Deputy Under Secretary for Planning, Budget and Evaluation.

Mr. Carnes, we are glad to have you back before the committee. Before you give us your statement, tell us who you have with you at the table.

Mr. CARNES. Thank you very much, Mr. Chairman. It is always a pleasure to appear before you and this distinguished subcommittee.

On my immediate left is Alicia Coro, Acting Assistant Secretary for Civil Rights; and to her left is James Thomas, Inspector General; and to his left is John Yazurlo, Deputy Inspector General; and to my right, Mr. Thomas Skelly, Director, Budget Systems Division, Budget Service, Office of Planning, Budget and Evaluation.

OPENING STATEMENT

Mr. Chairman, I will summarize very briefly my opening statement. In addition, Ms. Coro and Mr. Thomas have statements for the record.

Our request for salaries and expenses funds for 1987 for the Department of Education is $295.8 million, an increase of $13.5 million over the 1986 sequestered level of $282.3 million. Our request will support an employment level of $4,500 employees. This represents a decrease of 79 employees from the maximum ceiling in 1986 of 4,579. This is, in other words, a reduction of 1.7 percent in staffing at the Department. However, I want to assure this subcommittee that none of these reductions will be taken in program operations, but will occur rather in executive direction.

Mr. Chairman, we again propose for the committee's consideration consolidation of our three accounts in salaries and expenses, the three accounts being the Office for Civil Rights account, Inspector General's account and our Salaries and Expenses account.

We argue for merger because it would provide account simplicity and improve our flexibility in managing.

I could illustrate for one moment the reason that this is necessary. This year we had originally intended to allot for the Office of Inspector General approximately 304 employees. The budget proved to be insufficient to sustain that level of staffing, because GSA announced a rent increase for the IG's quarters which required the OIG to absorb that increase through staffing reductions. I will supply the figure for the record.

[The information follows:]

OIG Rent Increase for 1986

GSA imposed a total rent increase of $334,000 on the OIG for 1986.

Were we to have the account flexibility which we seek, it would have been possible for us to transfer funds from Salaries and Expenses or from the Office for Civil Rights to assist the IG in this situation.

We have other situations where that occurs in the Salaries and Expenses or Office for Civil Rights accounts, and merger would enable us to manage our resources better. We would assure a floor of funding for the Inspector General through appropriation language, so that their funding would be protected. There are cases such as OCR where there are surpluses, while in other areas of the Department there is not enough money.

Our S&E funds are displayed under five areas:

Postsecondary Education, which is half of the Department's budget, Other Education Programs; Civil Rights; Inspector General; and Executive Direction.

Sixty percent of the funds that we are seeking would be allocated to salaries and benefits; 24 percent would be allocated for contract services and ADP services, mostly in the area of managing student aid programs; and 12 percent of the funds would be allocated for rent, communications and utilities.

Our request provides increases for built-in costs, such as for increased rent, where $3 million is for an increased SLUC charge; improved debt collection activities, such as the IRS offset activity; and the student aid survey, which will cost an additional $6 million in 1987.

With that, Mr. Chairman, I have completed my remarks. I look forward to answering any questions you might have.

[The statements follow:]

DEPARTMENT OF EDUCATION

Statement by the

Deputy Under Secretary for Planning, Budget and Evaluation

on

Salaries and Expenses

Mr. Chairman and Members of the Committee:

I am pleased to appear before you to present our 1987 budget request for Salaries and Expenses for the Department of Education.

For 1987, we are requesting $295.8 million, an increase of $13.5 million above the 1986 sequester level of $282.3 million. Our request includes 4,451 full-time equivalent (FTE) employment, a decrease of 79 from the 1986 ceiling of 4,530 FTE or a decrease of 22 from the 1986 sequester level of 4,473. In addition, 49 FTE will be funded by the Indian Education appropriation, bringing the total for the Department in 1987 to 4,500 FTE.

Proposed Technical Changes

There are three technical proposals underlying our request. First, we are proposing the merger of the Office for Civil Rights and Office of the Inspector General accounts into the Salaries and Expenses (S&E) account for the Department. This change will simplify the Department's account structure in a fashion consistent with its relatively small total employment requirements and improve the Department's flexibility in managing S&E resources. The integrity and independence of the Inspector General's funding would be assured by establishing a floor in the S&E appropriation language which we are requesting in line with the 1984 report of the General Accounting Office on OIG budgeting.

Second, our display of the Salaries and Expenses request in the 1987 President's Budget identifies five activities: Postsecondary Education, Other Education Programs, Civil Rights, Inspector General and Executive Direction. The display is intended to show more clearly the costs of major Departmental functions by differentiating the needs of program offices from those of staff and supporting offices. In displaying these activities for your information, however, we do not intend that they be the basis for funding limitations within the overall amount appropriated in this account. The one exception is for the Inspector General, where budgeting independence is essential for ensuring objective operations.

Third, the 1987 request includes $7 million for administrative activities for the Student Financial Assistance and Guaranteed Student Loan programs, $90,000 for loan management of the Higher Education Facilities Loans Program, and $2.4 million for field reader activities, all or a portion of which were previously financed in program accounts. These administrative expenses will be transferred to the S&E account in 1987 where they are more appropriately financed. These transfers should essentially complete the series of changes begun with the 1984 Budget and supported thus far by the Congress to separate administrative and program costs. The changes are needed to ensure proper management of administrative resources and to provide complete cost data for evaluating the productivity of the Department's administrative activities.

Overall Request

Sixty percent of our S&E request is budgeted for employee salaries and benefits, 24 percent for contract and ADP expenses associated primarily with the student financial assistance programs, and 12 percent to meet the cost of our rent, communications, and utilities expenses. Within the total budget, 7 percent is for rent, 2 percent for the student aid survey and 15 percent for administering student financial assistance programs. Even though there are significant savings in the area of personnel compensation resulting from the reduction of 22 FTE and the proportion of GS-11-15 employees, the total request reflects an overall increase to cover increased built-in costs and key programmatic initiatives. For example, though we have succeeded in budgeting substantial savings in some object categories in 1986, we are faced with rate increases outside our control in 1987. General Services Administration rate increases will result in a $3.2 million increase in our rent and telecommunication charges even though our net rent will be partially offset by reducing the office space for our staff. The 1987 SLUC request is predicated on office space holdings of 978,000 square feet, down 7 percent from our 1985 holdings.

Debt Collection

Efforts to improve debt collection are expected to result in substantial increases in Department receipts in 1987. Total GSL and NDSL collections are estimated to increase by an additional $201 million, or 52 percent in 1987. These increases result from major new initiatives designed to improve the management and cost effectiveness of the Department's debt collection efforts.

In 1985, the Debt Collection and Management Assistance Service was created within the Office of Postsecondary Education to provide more consistent and effective management of all higher education debt collections. The Service's staff operates primarily out of regional offices in Atlanta, Chicago, and San Francisco and coordinates all higher education debt collections, including direct Federal student loan collections which are accomplished through contracts with private debt collection agencies. At a cost of $16.5 million, which is deducted as commission from the collections, nine contractors are expected to recover nearly $83 million in 1987.

In 1986, the Department initiated the offset of Federal income tax refunds owed defaulters. Applying the offset will result in additional collections of $116 million in 1986 and $229 million in 1987. Both the IRS offset and contract collectors are expected to boost total Federal collections by $200 million from 1986 to 1987 or by almost twice the total collected in 1985. The 1987 Budget request includes an additional $900,000 to cover the processing costs of this expected increase. In addition, the Department is also seeking legislative authority for a number of debt collection improvements, including the sale of portions of the Department's default portfolio.

FTE Reduction/Savings

In 1987, our employment objective is to eliminate excess overhead staff and duplicative administrative functions and maintain staffing in program offices. This reduction in overhead, together with the Department's continued effort to reduce the number of positions at grades 11 through 15, will allow a net total savings in personnel compensation and benefits of $2.5 million in 1987.

Student Aid Survey

The most significant increase in the Department's 1987 S&E budget is the $6 million to complete the bulk of a student financial aid survey. This survey has the broad support of the postsecondary education community. In 1986, we initiated a pilot study for what will become the broadest, most comprehensive survey ever undertaken to collect data on both recipients and non-recipients of student aid. The first stages of analysis of the collected data from the full-scale survey will begin in 1987 and be completed in 1988 at a total cost of about $11 million over the three years. This is a relatively small amount compared to the $9 billion spent on Federal student aid in 1985.

We are proud that the Department's management improvements and initiatives will enable us to operate in 1987 at a level which, while ensuring efficient and effective program administration, will also provide the Congress and the Administration with the comprehensive data needed to examine student aid policies, legislation, and budgets.

Mr. Chairman, thank you for the opportunity to present our request. My colleagues and I will be happy to answer any questions.

DEPARTMENT OF EDUCATION

Statement by the

Acting Assistant Secretary for Civil Rights

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before you to discuss the Fiscal Year 1987 salaries and expenses budget requested for the Office for Civil Rights (OCR).

The Office for Civil Rights requests a budget of $38.2 million that will support a full-time equivalent (FTE) staff of 840. Of that request $31.1 million, or 81 percent, is needed for salaries and benefits and $7.1 million, or 19 percent, is for office expenses that include travel, contracts, supplies, printing, mailing, ADP equipment and services.

The requested FTE level of 840 is based on OCR's current estimate of annualized FTE usage. I believe this staff level in Fiscal Year 1987 will permit OCR to effectively enforce the civil rights laws for which the Office is responsible.

A series of important management improvements undertaken in 1985 and continuing in 1986 has enabled OCR to meet its statutory responsibilities with fewer staff positions and expenses. OCR's improved performance is exemplified by our successful reduction in the average age of pending complaints and, for the first time, the achievement of substantial compliance with court ordered time frames for processing cases.

Performance Improvements

The most critical factor influencing OCR's operations is the application of a combined consent decree resulting from lawsuits brought by civil rights groups during the past decade alleging inadequate enforcement of the civil rights laws. Litigation in three cases in the U.S. District Court for the District of Columbia, Adams v. Califano, Brown V. Califano and WEAL v. Califano resulted in a 1977 consent order that established specific time frames for processing complaints and compliance reviews. Over the past several years, OCR has achieved increased compliance with these court imposed time frames and has eliminated a large backlog of cases. The average age of pending complaints has been reduced from 587 days at the end of Fiscal Year 1983 to 217 days at the close of Fiscal year 1985. It is important to note that both of these accomplishments were achieved with a smaller but better managed staff.

Management Initiatives

I would like to highlight a few of OCR's management initiatives. One of the major management improvements that enhanced OCR's efficiency was the realignment of staff functions that were overlapping and the clarification of the responsibilities of each manager. Data collection and analysis functions, which were formerly spread throughout the office, were consolidated into one unit. Another unit was designated with the responsibility for operational and technical assistance planning as well as for program training. The policy and enforcement responsibilities were realigned to expedite the development of critical policy guidance and headquarters case review.

Another management initiative was the development and implementation of a comprehensive and ambitious Management-by-Objectives (MBO) program designed to improve OCR's performance in accomplishing major policy, program, and management assignments. The system, which has been refined over the past three years, is based on annual goals set by the Secretary and the Assistant Secretary. The system provides the Assistant Secretary with the tools to monitor the performance of managers and supervisors across the organization and makes managers and supervisors accountable for the performance of their subordinate staff.

Greater attention has been given to the provision of clear policy guidance to OCR's regional offices. Formal regular communications between the Assistant Secretary and regional directors are now conducted in bi-weekly staff meetings via telephone conference and periodic "roundtable" discussions.

Understandable and consistent policy guidance is an important factor in improving OCR's case processing. Recently OCR implemented the first phase of an ambitious policy codification project that will provide immediate access to significant policy documents for OCR's investigative and legal staff. Although staff members are familiar with the most significant policy documents addressing major issues, there are many other issues that are less well known. The policy codification project will meet the critical need for a comprehensive, uniform and consistently applied system for codifying OCR policy guidance documents, and for the timely dissemination of these documents to OCR staff. In addition, a major revision was made in the Investigations Procedures Manual, which sets out the procedures for the investigation of complaints nationwide. Each OCR investigator and regional attorney uses the Manual in his daily activities, including pre-investigation, on-site, and post-investigation activities. The Manual ensures that a high level of quality is maintained at all stages of OCR enforcement activities.

OCR has encouraged efforts to achieve voluntary compliance with the civil rights laws through the use of technical assistance and coordination with State and local agencies. OCR has initiated Memoranda of Understanding to sharpen awareness of civil rights responsibilities at the State and local level and encourage voluntary compliance with the civil rights laws. As of March 31, 1986, OCR had 44 formal Memoranda of Understanding and a number of informal understandings with State and local education and human rights agencies to facilitate meeting mutual civil rights compliance goals and objectives and to promote the sharing of information.

The changes described in OCR's operations have resulted in a more efficient and streamlined organization. I believe the continuing benefits from the changes will enable OCR to conduct its compliance and enforcement program effectively.

Mr. Chairman, and Members of the Committee, I will be happy to respond to any questions you man have.

DEPARTMENT OF EDUCATION

Statement by the

Inspector General

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to discuss our Fiscal Year 1987 budget request for salaries and expenses of the Office of Inspector General.

The Office of Inspector General (OIG) was established to promote economy and efficiency and to detect waste, fraud and abuse in Federal education activities. For Fiscal Year 1987, we are requesting a budget of $16.4 million and 300 full-time equivalent (FTE) staff. This is an increase of 21 FTE over projected Fiscal Year 1986 usage and an increase in budget authority of $1.7 million over the 1986 sequester level.

At the beginning of Fiscal Year 1986, the Office of Inspector General's authorized and funded FTE level was 304. However, increases in office space rental charges, telecommunications costs, and computerrelated leases and services led the OIG to limit employment to 285 FTE. The Gramm-Rudman-Hollings sequester further reduced the amount of funds available and staffing is now being limited in 1986 to a projected FTE usage of 279. Under the 1987 budget request, this number will increase to 300 FTE — a decrease of 4 from our 1985 level.

Of the total 1987 budget request for OIG, 78 percent is for salaries and benefits. An additional $193,000 is requested for more audit and investigation travel. Fixed increases beyond our control will require $262,000 more for office space rent, and $145,000 for communications, utilities, and other rental expenses. An additional $100,000 is necessary for building renovation deferred from 1986 and to support office space reduction.

In Fiscal Year 1985, the OIG issued and/or processed 3,737 reports on audits of ED program recipients and Departmental operations. These audits recommended disallowance of costs totaling $52.6 million, questioned additional costs of $16.2 million, and recovered a total of $12.3 million in audit related activities. In addition, we completed 894 investigations and inquiries resulting in 171 indictments and 159 convictions. Other initiatives produced recommendations for improved efficiency and increased organizational effectiveness.

OIG reviewed 391 regulatory and legislative proposals in Fiscal Year 1985. These reviews resulted in numerous recommendations to effect needed improvements to increase economy and efficiency of operations and to decrease the potential vulnerability of the Department's program of fraud, waste and abuse. The OIG's 1987 budget request will provide increased support for these audit and investigation activities.

I will be happy to respond to any questions the Committee may have.

Biographical Sketch

NAME : Bruce M. Carnes

POSITION : Deputy Under Secretary for Planning, Budget, and Evaluation

BIRTHPLACE AND DATE : Xenia, Ohio - May 19, 1944

EDUCATION : University of Colorado, 1966, B.A.
Indiana University, 1969, M.A.
Indiana University, 1971, Ph.D.

EXPERIENCE

8/85 - present : Deputy Under Secretary for Planning, Budget, and Evaluation, U.S. Department of Education

2/85 - 8/85 : Acting Director of Administration, National Endowment for the Humanities

7/83 - 4/85 : Director, Office of Planning and Budget, National Endowment for the Humanities

7/79 - 7/83 : Assistant Director, Office of Planning, National Endowment for the Humanities

9/78 - 7/79 : Program Specialist, Graduate Fellowships, Office of Education

8/76 - 9/78 : Program Analyst, Planning Staff, Postsecondary Education and Higher and Continuing Education, Office of Education

9/71 - 8/76 : Assistant Professor, English, James Madison University

HONORS, AWARDS, & FELLOWSHIPS : Superior achievement award, National Endowment for the Humanities, 1985

: Outstanding performance rating; highest allowable merit award, 1984

: Outstanding performance rating and merit increase for overall performance, National Endowment for the Humanities, 1983

: Cash Award for outstanding management, National Endowment for the Humanities, 1982

: Nominated for outstanding performance in Graduate Training Programs at the U.S. Office of Education, 1979

: Received the highest performance ratings for teaching, publication and research at James Madison Unversity, 1971 - 1976.

: Merit-based teaching assistantship, Indiana University, 1967 - 1971.

: Merit-based scholarship, University of Colorado, 1962 - 1966.

ACCOUNTS MERGER

Mr. **Natcher**. Do you have any other examples that you could give us as to why the accounts should be consolidated, Mr. Carnes?

Mr. **Carnes**. I will speak generally to that, Mr. Chairman.

This year, as you know, under the Gramm-Rudman-Hollings Budget Deficit and Control Act, we have taken reductions in all of our program and staff areas, and we have imposed reductions on activities in all of the areas of the Department, including our general salaries and expenses, Civil Rights, and Inspector General.

Nonetheless, the Office for Civil Rights is going to run a surplus, and will be lapsing funds as it has done for the last six years.

There are other areas where we could make use of those funds. For example: after significant reductions in the budget for travel and training, while not seriously interfering with the carrying out of our duties, our travel could be aided with the ability to move some of those funds from Civil Rights.

SENIOR EXECUTIVE SERVICE

Mr. **Natcher**. You are requesting funding for 4,451 full-time equivalent positions. How many of these are Senior Executive Service positions, Mr. Carnes? Can you give us some idea?

Mr. **Skelly**. Yes, approximately 40 of those positions are in the career Senior Executive Service and another 20 are in the limited term or non-career Senior Executive Service, so approximately 60 in total.

Mr. **Natcher**. How many GS salaried personnel are acting in positions normally held by SES appointments? Can you tell us how many are in an acting capacity?

Mr. **Skelly**. In general, Mr. Chairman, there are no career staff acting in SES positions. We do have a couple positions filled on an acting basis that are Presidential appointments. The Assistant Secretary for Civil Rights, and the Assistant Secretary for Vocational and Adult Education positions are vacant right now, and they are being filled on an acting basis by Alicia Coro, in the instance of OCR, and by John Wu in the case of Vocational Education.

TRAVEL INCREASE

Mr. **Natcher**. In your travel budget, you are proposing an increase of nearly $1.5 million. What portion is used by program personnel for compliance and enforcement activities?

Mr. **Carnes**. Mr. Chairman, in reference, let me say the figure for travel we are seeking for 1987 is about $100,000 to $200,000 over the 1985 level. Compared to 1986, it is a large increase, because we took a significant part of our Gramm-Rudman reduction in the category of travel, and with the exception of that blip—in other words, the increase does not appear to be as large when compared to 1985.

Mr. **Natcher**. Well, what has been the effect of cutting travel in 1986? Has it been a serious problem for you in the Department?

Mr. **Carnes**. I would not say that it is a serious problem, Mr. Chairman, certainly not at this stage. We have made reductions in discretionary travel, first of all, such as attendance at conferences, delivering of papers by program staff, and confining our activities basically to the carrying out of our legislative functions, and mandated functions in compliance, and in program monitoring site visits.

We believe we are doing an adequate job of that, Mr. Chairman, satisfying our legal obligations. However, we do think there is rationale for additional travel in 1987.

Mr. **Natcher**. How much of the travel budget for 1986 and 1987 will be used by the Office of the Secretary, and the Office of the Under Secretary? You have a traveling Secretary. He goes here, there and other places.

Mr. **Carnes**. Secretary Bennett is in very great demand, Mr. Chairman. He is receiving approximately 250 invitations a month to address groups all around the country, of which he must decline 99.5 percent of them, I suppose.

The Secretary's travel budget for 1986 is $160,000. We are seeking a travel budget for the Secretary in 1987 of $200,000. We believe that this is justified because the American people want the Secretary to come and visit them and, in addition, the Secretary cannot administer his programs and perform his responsibilities if he is sitting here in Washington.

He needs to go out and listen to what people are saying. We don't regard his travel as a significant amount of money compared to the traveling done by the other areas of the Department, and I will ask Mr. Skelly to comment on that.

Mr. **Skelly**. You also asked about the Office of the Under Secretary, and that travel budget is $95,000 in 1986, and would increase to $105,000 in 1987. Approximately 80 to 85 percent of our total travel funds are dedicated to travel done by personnel in our program offices, and in the Offices of the Inspector General and Civil Rights.

Mr. **Natcher**. For the record, provide data showing the portion of travel funds used for advisory council meetings, monitoring programs and leadership functions.

[The information follows:]

FISCAL YEAR 1987 TRAVEL BUDGET—DEPARTMENT OF EDUCATION

Purpose	Cost	Percent of EC total
Advisory council meetings	$246,000	5
Program monitoring	3,108,000	80
Leadership function	305,000	6
Other	1,602,000	9
Total	5,251,000	100

Mr. **Natcher**. If none of your budget proposals for eliminating funding, restructuring programs or reducing funding are accepted, how would your budget estimates for salaries and expenses change?

Mr. **Carnes**. Mr. Chairman, we are currently operating with a program staff that is virtually at the level that we are requesting for 1987.

It is our opinion that we will have sufficient resources and staffing levels at our request level should other proposals in program areas not be enacted.

Mr. **Natcher**. Why are you proposing an increase of two full-time positions in the Office of Vocational and Adult Education, when the budget request would reduce vocational education funding by 50 percent?

You want to cut it in half, but you want more positions. Why is that necessary?

Mr. **Carnes**. I will have to provide that answer for you for the record.

Mr. **Natcher**. Make it good now.

[The information follows:]

FTE IN THE OFFICE OF VOCATIONAL AND ADULT EDUCATION

The 1987 FTE level for the Office of Vocational and Adult Education (OVAE) was predicated on the amount of work we expect to perform in 1987. Most of the proposed funding reduction would be for basic State grants, a formula grant program which will require the same amount of staff to administer as would be required at higher funding levels. FY 1987 shows an increase of 2 FTE above our FY 1986 level which was reduced by the P.L. 99-177 sequester. Our preferred staffing level for OVAE is 110 FTE in both years.

"WHAT WORKS" AND COSTS OF DISSEMINATION

Mr. **Natcher**. What amount of the salaries and expenses account was used to prepare "What Works"? We discussed that the other day.

Mr. **Carnes**. We did not use S&E funds for the publication of that document, Mr. Chairman.

Mr. **Natcher**. Was any staff time needed?

Mr. **Carnes**. Yes, indeed. This is a proper function of program staff in the Office of Research under the Office of Educational Research and Improvement.

Mr. **Natcher**. Our information is that it cost $800,000. I believe the answer you gave at the time the question was asked that, up to this time, it was $400,000. Maybe with additional copies, it could run to $800,000?

Mr. **Carnes**. Right now we have spent up to $400,000 on it; that is correct. We do anticipate there will be requests for additional copies. I continue to maintain that $800,000 is far in excess of what will be needed here, because once you get into multiple printings, the costs drop significantly.

I am not sure where the $800,000 is coming from, but I would be happy to talk to your staff afterwards, and try to nail that down.

Mr. **Natcher**. Mr. Carnes, why don't you sell this book? What is wrong with selling it for a dollar a copy?

Mr. **Carnes**. Right; I thought that was a very fair question.

Mr. **Natcher**. What do you say about it today?

Mr. **Carnes**. You want me to talk about it here?

Mr. **Natcher**. Why not?

Mr. **Carnes**. I find it a very intriguing idea, and I wouldn't confine it necessarily to just this particular activity. There is an argument that can be made that this should be applied to all of the Department's publications.

Indeed, the current interpretation of the statutes which call for us to disseminate to the American public the products of research or other activities tends to be construed as meaning that we are to make those products available free, and that we are not disseminating in the proper sense of the term without making them available free.

However, a very strong case could be made for asking persons to pay a nominal charge for those products.

Mr. NATCHER. All right, Mr. Conte?

Mr. CONTE. I am pleased to hear you say that, and I hope you are going to pursue it.

Mr. CARNES. We would welcome any kind of direction the Committee would care to give on that point.

MAJOR BUDGET INCREASES

Mr. CONTE. Mr. Carnes, I want to join the Chairman in welcoming you here today on your first appearance before the Subcommittee. I can tell that the Secretary must like you; yours is the only budget I have seen here in the last few days that shows an increase for 1987.

Mr. CARNES. There have been some other areas of program initiatives that have had increases, too. I take your point, however.

Mr. CONTE. Tell me where your major increases are?

Mr. CARNES. In the area of rent, a $3 million increase; and we are seeking an increase of $6 million to pay for a student aid survey, a huge survey of people who do and don't receive student aid.

This is a broad student aid survey designed to help all of us, including Congress, fine-tune policy in this area. Compared to an overall funding of $8 billion in student aid, we think the cost of the survey is a nominal amount.

We have some additional increases in the area of student aid program management, approximately $1.5 million to $2 million, sir.

CHARGE INCREASES FOR OFFICE RENT AND UTILITIES

Mr. CONTE. We have seen GSA charges for utilities and office space going up in all the Departments. Your budget shows a 24-percent increase for communication and utilities, and a 17-percent increase for office space. Is GSA making its own forecast on inflation, or is there some better explanation for why these rates skyrocket each year?

Mr. CARNES. The rationale, Mr. Conte, is that the charges we are being asked to pay are the charges which these services and facilities would bring on the open market.

Mr. CONTE. In terms of cuts, your budget documents show a pretty hefty decrease in the regional offices, down 25 FTEs, or about 25 percent in fiscal year 1987. Explain to me why you are making this cut. Is this a result of the reviews the Department was telling me about last year?

Mr. CARNES. In part, Mr. Conte, the Secretary has looked at various areas of the Department and decided to make various changes. My office has had a slight reorganization, and now includes all S&E administration.

In addition, the Secretary is looking at the regional representatives in the regional offices which have been a source of concern in terms of the level of staffing, expense and functions that they carry out, and we are projecting in 1987 that we are going to be able to streamline that activity a little bit.

Mr. CONTE. But you won't be closing down regional offices, will you?

Mr. CARNES. We will not close down any regional offices, Mr. Conte.

CONSULTANT SERVICES

Mr. CONTE. Last year, the Department basically took a $4.2 million cut in consulting services because of the requirements of section 515 of the Treasury-Postal bill. This year, you are only showing about $1 million that will remain unobligated. Have you stopped budgeting for consultants because of this section 515 provision, or has the Department's policy on consultants changed?

Mr. CARNES. It is an intriguing idea.

Mr. SKELLY. That is a very good suggestion, Mr. Conte, but no, what we are doing is looking closer at all of our consultant services contracts, and reviewing our plans for them as required by OMB.

We are supposed to look closely at any contract and decide if the costs exceed the benefits, and if they do, we are not supposed to engage in that contract.

Mr. CONTE. Good.

What does the latest IG report say with regard to the Department's management of consultant services? Is the situation improving?

Mr. CARNES. I will let the Inspector General address that.

Mr. THOMAS. I think, Mr. Conte, we indicated that there had been some improvement, but there were still some areas that needed further attention.

Mr. CONTE. It is an area that you ought to take another look at. You could save a lot of money.

Mr. THOMAS. We do it with some degree of regularity, based on information from the Congressional and OMB requirements.

EISENHOWER COLLEGE

Mr. CONTE. Mr. Carnes, I was very interested to read in this year's press release on the fiscal year 1987 budget that the Department is planning to sell the Eisenhower College in New York, which the Department has apparently owned for several years. How long have you owned this property, and how did the Department come by it? Did someone give it to you?

Mr. SKELLY. We have owned Eisenhower College for approximately three years. We own it as a result of an agreement with the Rochester Institute of Technology, which gained the Eisenhower College several years ago.

They defaulted on several large college housing loans, and the way the Department worked out the agreement on repayment was to take the campus in lieu of repayment on the loans.

It was the collateral for the loan.

Mr. CONTE. Do we own any other colleges?

Mr. SKELLY. Yes, we do, approximately five other colleges that we are actively engaged in trying to sell for market value.

Mr. CONTE. Is anybody living there?

Mr. SKELLY. No, those colleges are also empty and went out of business quite a few years ago.

Mr. CONTE. Put them in the record.

[The information follows:]

PROPERTIES OWNED BY DEPARTMENT OF EDUCATION—DECEMBER 1985

Name of institution:	*State*
Windham College	ME
Durham College	NC
Milton College	WS
Shimer College	IL
Residencia Universitaria Vendrunda, Inc	PR
Eisenhower College	NY

Mr. CONTE. Do you own any other property besides colleges?

Mr. SKELLY. Of course, loans are considered property, and we are trying to sell some of those in the budget.

Most of the rest of the property that we use is rented through GSA.

Mr. CONTE. What are you doing with Eisenhower College, renting it?

Mr. SKELLY. Right now, no, we are just guarding it and incurring security costs of several hundred thousands of dollars a year. We are in some confidential negotiations with some interested buyers.

Mr. CONTE. Did the press release arouse any potential buyers?

Mr. SKELLY. No, we have not received any bids since the press release came out.

Mr. CONTE. It is on the block, though?

Mr. SKELLY. Yes, we are engaged in discussions with a buyer, who would prefer to remain nameless, that might be interested in buying it.

STUDENT LOAN DEFAULTS

Mr. CONTE. Let's turn for a minute to your management of the student aid programs. You have got a number of requests in this budget for improving the Department's ADP systems to monitor these programs. What amount does the Department currently estimate as delinquent or defaulted under the loan programs?

Mr. CARNES. Currently, Mr. Conte, the amount that we estimate to be in default is in excess of $3 to $4 billion in guaranteed loans. We are projecting that in 1987, taxpayers will have to pay $1.3 billion in payments that borrowers are not going to make.

That is going up.

Mr. CONTE. From the tables the Department provided me last year, the overall default rates have come down somewhat in the past eight years, but they are still hovering around 10 percent. Is that level acceptable to you?

Mr. CARNES. I don't find it acceptable. Your estimate is accurate, but I find it very unacceptable.

Mr. SKELLY. The figure is down below 9 percent for 1986. We do expect it to climb approximately 1 percent to be in about the 9.9 percent range next year.

Mr. CONTE. How much paper do we have out now?

Mr. CARNES. I think it is in the neighborhood of $75 billion, altogether, but let me check.

Mr. SKELLY. $49 billion is outstanding in loans, made by the Federal Government and guaranteed but made by other institutions.

FOREIGN MEDICAL SCHOOL ENROLLMENT

Mr. CONTE. Mr. Carnes, the GAO recently reported that there is a big problem with the way loans are provided for American students enrolled in foreign medical schools. Basically, we have no system for monitoring the education these schools provide. This is particularly alarming because the numbers of Americans studying in these schools seems to be on the rise.

Do you know about that GAO report, and do you think there is something that can be done to insure that the education these students come back with is adequate? And do you have any figures available on how many loans are insured to students studying in foreign medical schools and what those loans total?

Mr. CARNES. Mr. Conte, I am familiar with this problem. In fact, the Administration is proposing in its higher education recommendations on the higher education bill for 1987 that loan eligibility for American students to attend institutions out of this country be dropped altogether because of concerns for this very issue.

I am also aware that in the Senate there is a similar concern with this point. Your counterparts on that committee are entertaining various ideas on this, such as the notion that at least in the case of foreign medical schools, student loan eligibility would be restricted to only those medical schools with credits acceptable to three American medical schools.

Well, my comment on that is that it is an improvement. It is an improvement over what we currently have, but I do consider the current situation one that is problematic.

Mr. CONTE. Do you have any way to break out how much in loans has been given to these medical students or what amount is outstanding?

Mr. CARNES. We can provide that for you, Mr. Conte.

[The information follows:]

LOANS TO U.S. FOREIGN MEDICAL STUDENTS

The Department have very little information on the amount of guaranteed loans to students attending foreign medical schools. In recent years, few loans have been made by the Department. In July 1984, the Federal Goverment ceased insuring direct loans because of the substantial increase of State guarantee agencies that help local banks and lenders to make loans. The Department of Education has no direct access to data on these guaranteed loans except for information provided by the 56 guarantee agencies. No such data is currently available.

Previously, from January 1980 through December 1984, the Department of Education directly insured over 2,600 loans amounting to $9.3 million to U.S. foreign medical students. The geat bulk of these loans covered attendance to two foreign medical schools: Loans amounting to $5.9 million for the University of Central Del Este in Dominican Republic and $2.1 million for the Autonomous University of Guadaljara in Mexico. The remaining $1.2 million covered 30 other foreign medical schools. In 1984, a total of $3.4 million in loans was insured by the Department for students to attend these 32 foreign medical schools.

AWARDS TO IMPROVE EMPLOYEE MOTIVATION

Mr. **Natcher**. In your justifications, Mr. Carnes, you have proposed increases in awards to improve employee motivation and reward work performances.

For the record, if you will, provide a list of the awards made in 1985 and the grade level of the award recipients.

[The information follows:]

DEPARTMENT OF EDUCATION INCENTIVE AWARDS PROGRAM—ANNUAL REPORT FISCAL YEAR 1985

Special Achievement Awards Performance Recognition

Monetary recognition for individuals	Superior performance		Special Act	
	Number granted	Amount paid in awards	Number granted	Amount paid in awards
GS 1-6 or equivalent	132	$34,181	44	$10,125
GS 7-12 or equivalent	419	17,448	155	46,574
GS 13-15 or equivalent	70	34,170	35	16,157
GS 16 and above or equivalent	1	3,682		
Subtotal	622	89,481	234	72,856
Merit pay—GM 13	108	78,905	17	13,347
Merit pay—GM 14	207	164,201	27	20,853
Merit pay—GM 15	243	39,525	3	6,500
Subtotal	558	282,631	47	40,700
Total	1,180	372,112	281	113,556

DEPARTMENT OF EDUCATION INCENTIVE AWARDS PROGRAM—ANNUAL REPORT FSCAL YEAR 1985

SES Members Special Achievement Awards Special Act or Service

Monetary recognition for individuals	Number granted	Amount paid in awards
SES career	1	$500
SES noncareer	1	1,500
SES limited term	2	3,750
Subtotal	4	5,750
SES/bonus	16	86,000
Total	20	91,750

DEPARTMENT REORGANIZATION

Mr. **Natcher**. The number of full-time equivalent positions in the Office of Legislation has been reduced from 65 positions in 1985 to 25 in 1986.

Why has this office been reduced about 60 percent?

Mr. **Carnes**. Yes, sir, that office was formerly called the Office of Legislation and Public Affairs, and as I mentioned in response to one of the Mr. Conte's questions, the Secretary has made some reorganizations in the Department, and one of them was to reorganize the Office of Legislation and Public Affairs.

He moved the Office of Public Affairs out of the Office of Legislation, so right now, the Office of Legislation has just those staff that were previously devoted to legislative affairs.

Mr. NATCHER. How many of the requested 14 additional full-time positions for the Office of Postsecondary Education will be used for the development of the integrated system for application processing, program monitoring and disbursements?

What about that, Mr. Skelly.

Mr. SKELLY. Mr. Chairman, none of those additional FTEs will be necessary for work on developing the RFP for the Pell Grant integrated delivery system.

Mr. NATCHER. What will they be used for?

Mr. SKELLY. The priority will be given to staff and other resources needed in the Office of Postsecondary Education for debt collection and student aid monitoring. There already is sufficient expertise in the office to develop the request for proposals which has to be developed in order to do that new contract.

SOURCE OF FUNDS FOR STUDENT AID SURVEY

Mr. NATCHER. What portion of the salaries and expenses budget for the Office of Postsecondary Education will be used for the student aid survey?

Mr. SKELLY. Actually none. We are financing the student aid survey in the Office of Educational Research and Improvement, and budgeting $7 million in 1987.

Mr. NATCHER. What types of activities have been funded through executive direction, salaries and expenses for school dropouts, illiterate youths and adults?

Mr. CARNES. Executive Direction includes what might be called staff offices, such as the Office of the Secretary and the Under Secretary, the Office of Management, Office of Legislation. Those areas, and I might have omitted one or two, are primarily the executive direction offices.

The question is, what activities have been supported there. It is primarily personnel and travel activities for people in those areas. I hope I am answering your question.

Mr. NATCHER. Going back to the previous question I just asked pertaining to the student aid survey. You said none.

Mr. SKELLY. None in the Office of Postsecondary Education, but $7 million in the Office of Educational Research and Improvement. In our justifications, it shows up in a different office.

Mr. NATCHER. None in the Office of Postsecondary Education?

Mr. SKELLY. Not for that particular survey. The people in the Office of Postsecondary Education do administer the postsecondary programs and all the student aid programs, but they don't have the expertise to do the survey work.

Mr. NATCHER. In your justifications, and you would agree then that on page 318 of your justifications, you show an increase there of $6.2 million.

Mr. SKELLY. Yes, sir, there is definitely an increase.

Mr. NATCHER. On what office will this be used?

Mr. SKELLY. Educational Research and Improvement.

Mr. NATCHER. Educational Research and Improvement?

Mr. SKELLY. That is the office that has the Center for Statistics that used to be called the National Center for Educational Statistics, and they are very adept at doing survey work. We felt that was the best place to assign this new task.

Mr. NATCHER. Why don't you budget it under that account?

Mr. SKELLY. It is budgeted for under——

Mr. NATCHER. You have it in both places?

Mr. SKELLY. On page 318, when you refer to the $6.2 million, that is the summary for the overall account we are proposing today, the one consolidated account, but we have then in later parts of the justifications parceled out those amounts among the various offices.

Mr. NATCHER. You say in other parts?

Mr. SKELLY. The student aid survey is on pages 357 through 359. In fact, on page 359, about three-quarters of the way down the page, under an item called "other services," in 1986, the estimate was $1.685 million.

In 1987, you can see that it is $7.717 million.

Mr. NATCHER. In the Office of Educational Research and Improvement. $7.227 million, is that right?

Mr. SKELLY. I have $7.717 million, but it is——

Mr. NATCHER. Yes, $7.717 million.

CONSULTANT SERVICES

Mr. NATCHER. Would your proposal to use some entry-level grade 7 through 9 to operate Federal education programs result in some additional need for consultant services?

Mr. CARNES. We do not anticipate that, Mr. Chairman. I believe our consultant services have been declining, and we expect that to continue.

Mr. NATCHER. You do propose to have lower grade employees in the operation of these programs?

Mr. CARNES. Entry-level personnel, Mr. Chairman, and we want to replace any persons that have come in generally with lower-grade employees and train them.

Mr. NATCHER. For the record, provide specific information on services that have been provided through consultants in 1985, 1986 and the types of services that would be needed in 1987.

[The information follows:]

DEPARTMENT OF EDUCATION CONSULTANT SERVICES

The Department of Education utilizes consultant services in two forms: (1) consultant services contracts and (2) appointive consultants. The major portion of the costs for appointive consultants is generally funded from the Salaries and Expenses accounts. Consultant services contracts may be funded from any administrative or program account which has contracting authority included in its authorizing legislation. Consultant services are usually defined as managerial and advisory services, including evaluations of programs and operations but not research or statistics gathering.

Appointive consultants are used when there is a need for the advice of experts for limited and intermittent periods of time. They include experts in such areas as management, civil rights, elementary education, education for the handicapped, higher education and student financial assistance. Appointive consultants give advice on policy, procedures, regulations, current practices in their fields, and a variety of other matters critical to the effective administration of the Department and its programs.

The category "appointive consultants" includes the members of the Department's advisory committees and councils, who are appointed by the President or by the Secretary. The members receive an honorarium of $100 per day in addition to travel and per diem expenses. The cost of compensation for advisory committee members in 1985 was $242,000 and is estimated to be $148,000 in 1986. In 1987, $243,000 is requested.

Consultant services contracts are let when the Department requires a product or a service which cannot be provided by Federal staff. Such products are necessary to the administration of the Department and its programs. Most contracts are for studies in the various program areas. Consultant services contracts are also used for program evaluation and to provide advice on data processing systems and training programs for Department employees.

Consultant services also include the costs of field readers who evaluate and rate proposals submitted to the Department for funding. Field readers were funded from both program and administrative accounts in 1985 and 1986. In 1987 all field reader costs will be paid by the Salaries and Expenses account. The total cost of field readers was $2,270,000 in 1985, and will decrease to $1,784,000 in 1986 as part of the Department's effort to accomodate the sequestration. In 1987, $2,398,000 is requested for field readers.

DEPARTMENT OF EDUCATION

CONTRACT ACTIONS OVER $25,000 FOR CONSULTANT FEES AND SERVICES

(Services for FY 1985, many of which continue in FY 1986 and are needed in FY 1987 and beyond)

Contract Name & Address	End Date	Amount*	Purpose
ABT Associates, Inc 55 Wheeler Street Cambridge, MA	11/30/85	$409,476	Evaluation of Indian controlled schools.
Berkeley Planning Assoc. 3200 Adeline Street Berkeley, CA	07/01/86	129,623	Development of performance measures for supported employment programs.
Berkeley Planning Assoc. 3200 Adeline Street Berkeley, CA	06/30/87	429,961	Analysis of rehabilitation programs in the proprietary sector.
Cosmos Corporation 1735 Eye Street, NW Washington, DC	03/29/88	564,379	Evaluation of discretionary programs under the Education of the Handicapped Act.
DBS Corporation 1901 N. Moore St Arlington, VA	11/08/85	349,062	Data processing and analysis.

*Current Fee as amended.

DEPARTMENT OF EDUCATION

CONTRACT ACTIONS OVER $25,000 FOR CONSULTANT FEES AND SERVICES

Contract Name & Address	End Date	Amount*	Purpose
Decision Resources 1701 K Street, NW Washington, DC	12/31/85	$1,245,948	Data processing and technical support for planning and technical analysis.
Decision Resources 1701 K Street, NW Washington, DC	12/31/85	2,091,379	Data processing and technical support for planning and technical analysis
Development Assoc. 2924 Columbia Pike Arlington, VA	03/16/87	438,591	Addition of limited English speaking native American students to the national longitudinal study.
E.H. White and Company 245 Clement Street San Francisco, CA	09/30/86	272,861	Evaluation of the Handicapped Migratory Agricultural and Seasonal Farmworker Vocational Rehabilitation Service projects.
Ecosometrics, Inc. 4715 Cordell Avenue Bethesda, MD	01/31/87	615,838	Analysis of State VR agency caseload & placement patterns and trends.

*Current Fee as amended.

DEPARTMENT OF EDUCATION

CONTRACT ACTIONS OVER $25,000 FOR CONSULTANT FEES AND SERVICES

Contract Name & Address	End Date	Amount*	Purpose
Educational Testing Service Rosedale Road Princeton, NJ	03/31/87	$500,000	Educational preferences of parents of language minority children.
Georgia Tech Research Institute 225 North Avenue NW Atlanta, GA	07/31/85	331,043	Detectable tactile surface treatments.
Harold Russell Assoc. Eight Winchester Place Winchester, MA	11/28/86	276,429	Evaluation of Special Rehabilitation projects and demonstrations for severely disabled individuals.
Harold Russell Assoc. Inc. 235 Bear Hill Road Waltham, MA	10/14/85	69,915	Development of staff roles for supported & transitional programs.
Information Spectrum Inc. 1745 South Jefferson Arlington, VA	11/30/85	132,455	Position classification surveys

*Current Fee as amended.

DEPARTMENT OF EDUCATION

CONTRACT ACTIONS OVER $25,000 FOR CONSULTANT FEES AND SERVICES

Contract Name & Address	End Date	Amount*	Purpose
Litigation Support Serv. 421 Butternut Street, NW Washington, DC	03/17/86	$86,753	Evaluation of the American Indian Rehabilitation programs
National Down Syndrome Congress 1640 West Roosevelt Road Chicago, IL	12/31/85	52,312	Down Syndrome State-Of-The-Art Conference.
Pelavin Associates, Inc. 1920 N Street, NW Washington, DC	06/01/87	356,279	Selection procedures for identifying students in need of special language services.
Pelavin Associates, Inc. 1920 N Street, NW Washington, DC	06/01/87	403,803	Selection procedures for identifying students in need of special language services.
Policy Studies Associates, Inc. 1718 Connecticut Avenue, NW Washington, DC	09/23/86	273,527	Establishment and operation of SLGD data analysis support center.

*Current Fee as amended.

DEPARTMENT OF EDUCATION

CONTRACT ACTIONS OVER $25,000 FOR CONSULTANT FEES AND SERVICES

Contract Name & Address	End Date	Amount*	Purpose
Policy Studies Associates, Inc. 1718 Connecticut Avenue, NW Washington, DC	01/31/87	$342,875	Evaluation of National Institute of Handicapped Research (NIHR) research and training centers (RTC'S).
SRA Technologies, Inc. Suite 610 2570 W El Camio Real Mountain View, CA	01/08/86	150,000	Refinement and field test of evaluation procedures and materials for ESEA Title VII Bilingual Education projects.
The Regents of the University of Calif 405 Hilgard Avenue Los Angeles, CA	06/30/85	202,817	Cooperative Institutional Research program.
The Regents of the University of Calif 405 Hilgard Avenue Los Angeles, CA	06/30/85	384,365	Cooperative Institutional Research program.

*Current Fee as amended.

GS-11-15 EMPLOYEE REDUCTION

Mr. NATCHER. Your budget policy for 1987 reflects decreases of nearly $2 million, resulting from an "initiative" to reduce the proportion of GS-11 and GS-15 employees.

What portion of the total number of permanent full-time positions in the Department of Education are currently at the GS-11-15 level? Can you give me some idea?

Mr. SKELLY. Approximately 33 to 40 percent would be at the GS-11-15 level. Let's say over 40 percent.

Mr. NATCHER. How do you plan to reduce the number of GS-11 through 15s in your Department?

Mr. CARNES. We use the vehicle of attrition, primarily. As persons leave for other jobs or retire, we will seek to replace senior-level persons with lower-graded persons, as we discussed in the previous question.

That is basically the way we are going about this, and in addition, the Office of Management periodically and regularly conducts management surveys, personnel audits, to see if persons are performing jobs that are graded accurately.

In some cases, they discover that they are not.

Mr. NATCHER. What offices within the Department are most likely to be affected by this proposed initiative?

Mr. CARNES. It probably occurs pretty much evenly throughout the Department.

Mr. SKELLY. Because we are relying on attrition to reduce the grades 11 through 15, that tends to occur across the board, and we will be hiring those career interns at grades 5 through 7, also across the agency.

Mr. NATCHER. All right, Mr. Conte?

FTE REDUCTION FOR INSPECTOR GENERAL IN 1986

Mr. CONTE. The justifications show that the Inspector General's office reduced FTEs by 6 because of Gramm-Rudman-Hollings, but a full 19 because of increases in rent and phone costs. Is the problem that we didn't give you the money you requested for rent or phone costs, or did increases take place unexpectedly?

Mr. CARNES. I didn't quite catch the last half of your question. A decrease of 6.

Mr. CONTE. Yes, and then you lost 19 because of increases in rent and phone costs. Is it because you didn't have enough money in your budget last year?

Mr. CARNES. No, because we didn't have the flexibility of moving funds to deal with those increases. We had increases that were not anticipated.

We establish our budget request almost a year before the fiscal year begins, and there is a certain seat-of-the-pants atmosphere to this whole situation. We try to anticipate increases in costs such as rent, but are not always successful.

We had increases not anticipated in rent for the Office of the Inspector General and had to offset those with the S&E funds that were appropriated for that office and for no others, and as a result, that affected the OIG in that fashion.

Mr. CONTE. If we give you all the money you ask for this year, will you be able to keep the 300 FTEs?

Mr. CARNES. Yes, sir, we are seeking adequate funds to anticipate any costs that will occur in fiscal year 1987, and to sustain that level of staffing.

Mr. CONTE. The FTE decrease in 1986 has had some negative effect on your operation because you ask to be returned to the 300 or so level in 1987. What specific effects can you point to? Has it decreased your ability to audit and recoup misspent funds?

Mr. THOMAS. Mr. Conte, the number of individuals that we have going out looking for fraud, waste and mismanagement has decreased from the level of 300 to, at present, 274, and that in and of itself decreases our ability to look at a broad scale of activity.

Secondly, it has reduced the amount of money available for travel, because that was the prime discretionary area with which we can draw funds. That means we cannot necessarily send the auditors and investigators to where the most serious problems are, but must keep them close to their home cities.

The places where they are assigned are in the major cities, but there are also problems in other parts of the country that we have to put on the back burner until funds are available.

INVESTIGATION OF STUDENT LOAN DEFAULTERS

Mr. CONTE. You recently reported, Mr. Thomas, that your office had recovered about $12 million in misused funds for the last six months of 1985. Have any colleges, institutions, or other recipients of this money been removed from programs as a result of your findings?

Mr. THOMAS. Over time, they have, Mr. Conte. We work very closely with the Office of Postsecondary Education, and frequently, because they have certain sanction rights that they can impose, they get corrective action or remove institutions from participation.

That has happened in a number of cases.

Mr. CONTE. Do you think your office has a good system in place to find these frauds, or do the schemes get so elaborate that these people are impossible to track down? Tell us about some of these cases, if you can.

Mr. THOMAS. We think we have done a pretty good job. We seem to be always one step behind the criminal and those who set out to intentionally defraud the Government. The people who are getting the money, are very difficult to find and so, we rely to a large extent on informants.

We have a relatively active hotline and receive a lot of input from student aid officers, people like that, and information from Members of Congress and their staffs, so we have a lot of sources of information and constantly have a significant number of cases that we are actively involved in, in addition to our normal program of audits.

At the present time, with the Single Audit Act of 1984, we anticipate a new source of information, both at the Federal and at the State level, because the act requires all State and local governments who receive funds from the Federal Government to have an audit every year. The audits will provide information both to State government management as well as Federal Government management that was never accessible before. We anticipate this being a great resource for us, for example, by targeting those areas where we want to audit in greater depth, and those areas that need investigative effort.

Mr. CONTE. Give us an example of a typical case of fraud.

Mr. THOMAS. One of the types of cases that we have had very frequently is in the student aid area where people falsify applications either by claiming citizenship or claiming a status of permanent resident alien in the United States, which would make them eligible to qualify for student aid funds.

We have had very large numbers of cases in that area, and to date, on that fraud alone, we have had 475 indictments, and almost 300 convictions of people who have, in fact, falsified their eligibility status as being aliens and were not eligible for these funds.

We have other cases where individuals would use up to 25 different identities and get 40,000, 50,000, 60,000, 70,000 dollars' worth of student aid funds, and cases of bank loan officers who created imaginary students, embezzled funds, and let the Government believe they made loans to students.

We have cases of directors, owners of schools, who falsify statements to the Government, and in one case, $460,000 was derived from the Government.

Mr. CONTE. You can expand on more of those for the record.

Mr. THOMAS. I would happy to provide some of those for the record.

[The information follows:]

IG—EXAMPLES OF FRAUD

An ineligible alien was convicted by a Federal jury in the Eastern District of Virginia during November 1985 on charges of student aid fraud and making false statements. The subject, who had received nearly $14,000 by falsely claiming to be an eligible alien applicant, was sentenced to two years imprisonment and ordered to make full restitution.

The OIG was alerted by a school official to an organized effort to defraud student aid programs by individuals enrolling in college but not attending class.

Investigation revealed a fraud ring involving members of a family who had applied for over $77,000 in Pell Grant and Guaranteed Student Loan (GSL) funds and received $52,000. The funds were used in drug dealing and other illegal activities. Eleven members were indicted during March 1986 on charges of making false statements on student aid applications. Trial dates have not yet been set.

An individual pled guilty during January 1986, in the Southern District of New York, to charges of student aid fraud. The subject used at least three false identities to receive nearly $78,000 in GSL funds. He claimed enrollment at foreign medical schools in Tel Aviv, Paris and Malta but never attended class at any of them. The subject forged the school certification on 24 Federal applications and provided other false information. He was sentenced to serve five years probation and ordered to make restitution of $30,000.

During February 1986, a former loan officer of a now defunct bank, pled guilty in the Northern District of Illinois to charges of student aid fraud and mail fraud. The joint FBI/OIG investigation disclosed that the subject, using her position in the bank, created and received the proceeds of 57 GSLs in the amount of $245,000. The scheme included the creation of phony identities, including SSNs, addresses and references. She also falsified school certifications, bank approvals and all documentation. The subject is currently awaiting sentencing.

The former owner of a beauty college pled guilty in the Middle District of Florida to charges of student aid fraud. The violations were detected by the new owner of the school who noticed apparent shortages in the school's Federal accounts. Investigation disclosed that Pell grants had been disbursed to student enrollees who never actually started class and to students after they dropped out of school. The improper disbursements were retained by the subject, who was sentenced during January 1986 to serve five years probation and to make restitution of $73,350.

A referral from the campus police of a community college in California was the basis for an OIG/campus police investigation. The investigation revealed a scheme involving two student aid officials of the college and a student who served as a assistant. The officials recruited individuals who would apply for GSLs but who had no intention of attending class. For a $500 kick-back, the school officials certified student enrollment on GSL applications and later helped the loan recipients negotiate their loan checks by providing the required school endorsement. Approximately 50 GSLs of $2,500 each were received through the scheme. In some instances, legitimate GSL applicants were solicited to pay the kickback to facilitate the processing of their loans, which were being intentionally delayed.

The two former school officials and the student arrayed were indicted during November 1985. In addition, three other individuals were charged for their part in the scheme. The investigation is continuing as other individuals are being considered for prosecution.

STUDENT LOAN DEFAULTERS

Mr. CARNES. Mr. Conte, on defaults, if you will permit me for a second? I projected that we are going to be spending $1.3 billion on default payments in 1987. That is over half of the amount of money that we are requesting for the entire GSL program next year. Of our request of $2.3 billion, $1.3 billion would go to pay default payments. Even assuming, for the sake of argument, that the program were funded above that, say $3 billion, or the current level, more than a third of the money that is in that program would go to meet default costs.

In my opinion, Mr. Conte, this student aid program is going to hit the wall any second. People are not going to tolerate programs where there are defaults of this magnitude.

Right now, if we are providing student aid to 40, 45 percent of the students in this country and people from income levels of $58,000, $60,000, $75,000 can get loans, it is inconceivable to the average American why there are these defaults.

It is inconceivable why they should be tolerated. I have heard that certain kinds of people are going to default. I don't buy that. Nothing predisposes you or condemns you to default.

Defaulters are going to default. My view is we must adopt tighter provisions in the area of default prevention, make lenders bear a bigger part of the risk and give them a greater incentive to seek repayment of loans.

I am pleased that the Congress is considering measures in the Higher Education Act reauthorization and budget reconciliation action that help address the problem.

Mr. THOMAS. Mr. Conte, the point that Mr. Carnes made about the public awareness is one of the issues that has concerned us for a great amount of time. Because of the millions of students that are involved, it is impossible to have any kind of direct oversight. You expect the systems to function properly, and provide controls to make only eligible students receive the funds made available for them.

We have decided to initiate a fraud awareness campaign, by preparing some information, to get into the hands of student aid officers, administrators, and students themselves, to make them all aware of the kinds of pitfalls to look out for.

I would like to clarify a misimpression, perhaps. When you think of student fraud, you think in terms of $600, $1,200, $1,500. Of the frauds I mentioned dealing with aliens who are ineligible recipients of student aid, our cases in the last six months, involved money as low as $5,000, and as high as $35,000. In each individual case, you are talking about a relatively sizable amount of money.

Mr. CONTE. Yes.

Mr. THOMAS. Not the $500, $600, $700 which is perhaps an average Pell Grant.

CIVIL RIGHTS BUDGET DECREASE

Mr. CONTE. Mr. Carnes, as I said earlier, you must have a good connection with the Secretary to be the only one coming in here requesting an overall increase. I guess the one ugly duckling is the Office for Civil Rights. They are the only ones going down in fiscal year 1987. Why is that? They don't need the same help as your other divisions?

Mr. CARNES. For the past six years, the Office for Civil Rights has lapsed S&E funds, running from several hundred thousand dollars to $2.5 million that have lapsed, and we are going to lapse some funds this year.

A lot of those funds are appropriated to support a level of activities that we don't think is necessary, and to sustain staffing levels far in excess of what is needed.

The Department has made what I regard as very important and significant gains in the area of civil rights enforcement and handling its cases.

The number of cases that were on hand at the end of any given year has dropped by 50 percent in the last four years, from approximately 2,000 to about 900 cases on hand.

We have, in other words, actually a decline in staffing level in the Office for Civil Rights, and nevertheless have improved our closing of complaints. The number of complaints closed has increased 25 percent.

The amount that we are seeking is equivalent in many respects to our request of prior years. We requested less funding for S&E in the Office for Civil Rights than we have received.

Nonetheless, we have reduced all the measures, it seems to me, of concern here in terms of cases on hand, or cases outstanding. We think that the S&E funds requested will enable us to continue to improve this record.

We are not going to be satisfied with just staying even with our caseload.

Mr. CONTE. What is your backlog or on-hand number of cases?

Ms. CORO. We do not have a backlog. We have approximately 1,000 cases that are open at a given time, and those cases are at different stages of investigation and completion.

Mr. CONTE. Give me, for the record, the employment figures in the Civil Rights Office for the last five years.

Ms. CORO. Yes, we will provide that, sir.

[The information follows:]

OFFICE FOR CIVIL RIGHTS STAFFING—ANNUAL FTE USAGE

Fiscal year:	
1982	1,002.0
1983	941.6
1984	906.8
1985	913.2
1986	835.5

Mr. **CONTE**. Thank you, Mr. Chairman.

OCR LAPSE OF FUNDS

Mr. **NATCHER**. Under the Office for Civil Rights, Mr. Carnes, over the past five years, tell us how much of the funds appropriated for the Office for Civil Rights have either lapsed or were transferred to other programs in the Department.

Do you have any figures on that?

Mr. **CARNES**. Yes, sir. The amount of funding that has lapsed was a low of $832,000 in 1982. In 1984, $2.7 million lapsed. We are projecting a lapse this year of approximately $1.5 million. We have not transferred funds to other programs because we lacked the ability to use those funds for any other program purpose. In 1984, Congress enacted a $5 million supplemental by transfer for Howard University from OCR. However, we have not funded anything other than the Office for Civil Rights with those funds since then.

Mr. **NATCHER**. If you add them all up for a period of five years, would it be $20 million?

Mr. **CARNES**. Over the last five years, it is close to $10 million.

Mr. **SKELLY**. More like $8 million for five years, but he is the boss.

IMPLEMENTATION OF LAU V. NICHOLS

Mr. **NATCHER**. So far you have not proposed regulations to implement the Supreme Court's decision in *Lau* v. *Nichols* relating to the access of limited English-proficient students to educational instruction.

When do you plan to issue regulations to implement this decision?

Ms. **CORO**. We do not plan to issue regulations. Our role is to make sure there is a process for identifying children of limited English proficiency and to make sure that the schools themselves have a process for providing services to these children. The Office of Bilingual Education has the function of ensuring that the educational approaches are in fact according to what we believe it should be.

RESULTS OF GROVE CITY COLLEGE V. BELL

Mr. **NATCHER**. How many investigations has the Office for Civil Rights suspended or terminated because of the *Grove City College* v. *Bell* decision?

Ms. **CORO**. It is difficult for us to say exactly how many cases were closed because of the *Grove City* decision. OCR has an automated information system which utilizes several codes which show no jurisdiction. It is not broken down as to the cases that have been closed because of the *Grove City* case. Approximately 300 cases closed for lack of juridiction in fiscal year 1985 out of a caseload of 2,000, were not all due to *Grove City*.

There may be other reasons, such as we never had any jurisdiction over the allegations in a complaint, even prior to the *Grove City* decision because the receiving institution never had any Federal financial assistance, or the cases were referred to another Federal agency such as EEOC or HHS.

Mr. NATCHER. How many complaints made to the Office for Civil Rights have not been accepted because you determined that you no longer have jurisdiction as a result of the *Grove City* decision?

Ms. CORO. We accept every complaint that we receive in the Office for Civil Rights. Because of the *Grove City* decison, the staff now has to do a more thorough job to determine whether OCR has jurisdiction, based on the program or activity that received Federal financial assistance. There is no such thing as turning away any complaints unless patently frivolous.

Mr. NATCHER. For the record, if you will, provide the committee with your assessment of the impact of the *Grove City* decision on your office.

[The information follows:]

ASSESSMENT OF IMPACT OF GROVE CITY DECISION

Within 15 days of receipt of a complaint, OCR must determine, among other things, whether it has jurisdiction over the allegations in the complaint. Because of the *Grove City* decision, the Office of Civil Rights now must determine more thoroughly if a program or activity receives Federal financial assistance.

CRITERIA FOR EARLY COMPLAINT RESOLUTION

Mr. NATCHER. What criteria are used for agreements reached under your Early Complaint Resolution System?

Ms. CORO. We have very specific guidelines, Mr. Chairman, that the staff uses, and we use early complaint resolution in selected cases. It is not used through all, or with all cases.

It has to do with a particular case where there might be a single complainant and where the staff believes that this is the most expeditious way of resolving the complaint.

The Office for Civil Rights is not a party to the settlement. We only serve as mediators and help with the negotiations. The complainant monitors the settlement to make sure that whatever remedial action an institution committed itself to is in fact implemented. If the complainant is dissatisfied, a new complaint may be filed.

Mr. NATCHER. Must the agreements reached under that system meet the standards applicable to other case settlements achieved by the Office for Civil Rights under the statutes it enforces?

Ms. CORO. Early complaint resolution is different from the preletter of finding negotiations, whereby we are in fact the party that determines what the remedial action should be. The settlement that is based on the early complaint resolution process certainly has to be in accordance with OCR's enforcement obligations in the statutes and case law.

HIGHER EDUCATION DESEGREGATION ENFORCEMENT

Mr. **Natcher**. What steps will your office take to enforce higher education desegregation, in States whose desegregation plans expired at the end of 1985?

Ms. **Coro**. At the present time, there are 10 States whose plans will expire in the school year of 1985-1986, and we are currently conducting onsite reviews of over 250 institutions. OCR is also monitoring whether the States in fact implemented the activities that were required in the plans.

OCR will be analyzing the on-site reviews which hopefully will be completed by April 30. It will be several months before we send out letters of evaluations. This may occur within the next four to six months.

CIVIL RIGHTS REFERRALS TO JUSTICE DEPARTMENT

Mr. **Natcher**. How many of your cases were referred to the Department of Justice in 1985?

Ms. **Coro**. My understanding is that we did not refer cases in 1985. I will supply the exact number.

[The information follows:]

Cases Referred to Department of Justice in 1985

No cases were referred to the Department of Justice (DOJ) in 1985 for the purpose of requesting DOJ's initiation of a *de novo* lawsuit in Federal court. Two cases were referred to DOJ for other purposes; one for the purpose of effectuating a favorable settlement agreement already negotiated by OCR and the other for the purpose of suggesting action by DOJ in the context of a school district already under Federal court order.

Mr. **Natcher**. If the Department of Justice refuses to handle your case referrals, what happens to them? Are they just dropped?

Ms. **Coro**. No, Mr. Chairman, the cases are not dropped. OCR will then take a second look at these cases and make a determination internally whether to go forward with enforcement.

INSPECTOR GENERAL'S RECOVERIES

Mr. **Natcher**. Under the Office of Inspector General, what figures do you have concerning savings, recoveries, fines and penalties which have been achieved as a result of the activities of this office? Are you saving any money?

Mr. **Thomas**. We like to think that we are an organization that brings money into the Government rather than lets it go out. We do an audit, we question costs or recommend disallowance of costs and the program Assistant Secretary then makes a final decision. We call the decision a sustainment of our recommendation.

In fiscal year 1985, the program Assistant Secretaries sustained about $47.5 million of costs that our office had questioned or recommended for disallowance. During that same period of time, actual cash back into the drawer was a little over $12 million, $12.3. million.

At the same time, as a result of investigations, fines and restitutions levied by the courts totaled about $3.5 million. So, during fiscal year 1985, we think we had a pretty productive year of bringing money back in, Mr. Chairman.

Mr. NATCHER. Do you have data, Mr. Thomas, which shows how much of the recoveries, as a result of your audits, is paid back to the audited institutions?

Mr. THOMAS. No, sir, there is a "grant-back" process, and once it gets to that stage, we do not track, because that is an administrative process. The "grant-back" can be as much as 75 percent, in most cases, of the amount that was recovered by the Government.

Mr. NATCHER. Which program within the Department of Education is the source of your largest workload? Pell Grants or which one, Mr. Thomas?

Mr. THOMAS. The student aid programs collectively. We don't distinguish them generally, because they all involve institutions of higher education. We have done a good deal of audit and investigative work involving various aspects of the Guaranteed Student Loan program.

AUDIT OF CHAPTER 1

Mr. NATCHER. What about Chapter 1?

Mr. THOMAS. Chapter 1 is mostly handled through the single audit process, whereby the audits are done by non-Federal auditors. During that process, my staff monitors the quality of the work done by the non-Federal auditors, who represent either State audit organizations or private practicing certified public accountants.

We provide advice and assistance to them, evaluate their products, and recommend to the Assistant Secretary whether to accept or reject their reports.

INSPECTOR GENERAL WORKLOAD

Mr. NATCHER. Do you have any backlog in audits or investigations, or are you fairly current with your workload?

Mr. THOMAS. There is no way of determining a backlog on the audit side, because that is a level of effort process. Within the Department, just to give you a couple of numbers, there are 237 computer systems and subsystems, and we plan to audit three or four of those each year.

There are 28 accounting systems. We have auditted several systems and plan to audit one or two each year. There are some 44,000 institutions out there, banks, State agencies, local agencies, contractors, and we audit a couple hundred of those each year with our staff.

There are, however, other measures of oversight which come about through either the single audits performed by practicing CPAs or the audits required ever two years of colleges and universities with student financial aid. So, there is an oversight.

On the investigative side, every allegation we receive, we assign to an investigator. We have 680 active cases, and another 195 active inquiries. Those are active cases.

Mr. NATCHER. What is the current situation regarding the number of unresolved audit reports on hand?

Mr. THOMAS. Yes, sir, the Department in the last five years, Mr. Chairman, has made a great effort to rid itself of old audit reports. Two years ago, the number of audit findings over six months old had been reduced to zero.

Within the last two years, that number has slowly crept up, so it is approximately 35 now, but of that 35, many of them are in some kind of a legal, judicial process, and therefore, are kept from being closed out. So, we think that the level of closure has been quite satisfactory, and we provide a monthly report to the Secretary and to all of the Assistant Secretaries, encouraging them to remain diligent in closing out those audit findings.

Mr. NATCHER. How much is budgeted for contract audits for 1986 and for 1987?

Mr. THOMAS. Nothing, I believe, is in our budget for either of those two years, Mr. Chairman.

Mr. SKELLY. That is right. We looked at that and decided it was lower priority.

Mr. THOMAS. There is a possibility that some non-appropriated funds transferred to our Department from the Department of Housing and Urban Development may be used for contracting audits for those college housing loans in default.

We are awaiting a programmatic decision, and we will provide some technical support. That is the only possibility I know of at this time.

FRAUD PREVENTION

Mr. NATCHER. What actions are you taking toward fraud prevention as opposed to your efforts in detecting fraud which has already taken place?

Mr. THOMAS. I mentioned a moment ago that we have undertaken, and have as a partner in this effort the Office of Postsecondary Education, a Fraud Awareness Campaign. We are in the process of preparing literature to the institutions administering student aid programs, and we anticipate this program will slowly evolve from just student aid to all of the programs in the Department which are vulnerable to fraud.

In addition, we provide review of draft legislation, and draft regulations to try to install sufficient controls to prohibit, to the degree possible, any vulnerabilities to fraud, waste or abuse.

Mr. NATCHER. What proportion of your budget would you estimate is aimed at fraud prevention?

Mr. THOMAS. It would be a seat-of-the-pants kind of guess, Mr. Chairman. We have two people assigned to a legislative review process. The salaries of those two people would be in the vicinity of $95,000 combined.

In addition to that, the effort is relatively indistinguishable, because I look at our entire internal audit effort as a prevention measure. So on the one hand, you could say that all of the staff assigned to internal audit, some 22 or 23, are in fact preventive in nature.

We look at each of those efforts as not only being corrective, but preventive. We even look at a specific investigation as not only being detection, but prevention, because we see in the newspapers subsequent to an investigation the results of that investigation and prosecution, and we think that in and of itself has a deterrent value. So we see each of those efforts as a preventive measure.

Mr. **Natcher**. Mr. Carnes, we want to thank you and your associates for appearing before our committee at this time on behalf of your budget request for salaries and expenses. Mr. Carnes, this is your first appearance, and it has been a good hearing.

Mr. **Carnes**. Thank you very much, Mr. Chairman. I am honored to appear before you.

Mr. **Natcher**. This concludes the hearings for this afternoon. We will now adjourn until 10:00 in the morning.

[The following questions were submitted to be answered for the record:]

EFFECT OF FTE REDUCTION ON OCR

Mr. Roybal: The Department proposes funding reductions in the OCR that would cause a substantial decrease in the number of OCR FTE positions in FY 1987 as compared with the number in FY 1985. What effect would this estimated decrease have on the number of complaint investigations, compliance reviews, and monitoring activities OCR will conduct in FY 1987?

Ms. Coro: OCR's ability to conduct complaint investigations, compliance reviews, and monitoring activities will not be adversely affected by the proposed staffing for FY 1987. The FY 1986 staffing of 860 FTE would be reduced to 840 FTE in FY 1987, a reduction of 20 FTE. The Office is presently operating with an on-board staff of approximately 830 FTE and is keeping pace with its complaint workload. The average age of pending complaints has been reduced from 587 days at the end of FY 1982 to 191 days as of March 31, 1986.

LAU COMPLIANCE REVIEWS

Mr. Roybal: How many *Lau* compliance reviews did the OCR initiate in FY 1985, and how does this figure compare with the number of compliance reviews OCR has opened in FY 1986?

Ms. Coro: OCR initiated 13 compliance reviews in FY 1985 that included *Lau* issues and closed 11 such reviews. There were two *Lau* issue compliance reviews pending at the end of FY 1985. OCR projects that 11 such reviews will be conducted in FY 1986.

Mr. Roybal: How many *Lau* compliance reviews did the OCR monitor in FY 1985?

Ms. Coro: We closed two monitoring reviews during FY 1985 but continued to monitor remedial plans agreed upon in prior fiscal years. It is projected that OCR will conduct six monitoring reviews in FY 1986.

OCR's JURISDICTION OVER CHAPTER 2

Mr. Roybal: In December 1985, the then head of OCR instructed regional enforcement officials to reverse the institutionwide application of civil rights laws to Chapter 2 funded schools, and to apply civil rights laws only to school programs directly funded by Chapter 2. What type of additional burdens will this directive place upon the OCR?

Ms. Coro: On October 28, 1985, the Civil Rights Reviewing Authority issued an opinion in *In the Matter of Pickens County School District (Pickens)*, No. 84-IX-11, which narrowed OCR's jurisdiction over recipients of Chapter 2 funds. The December 1985 direction of the Assistant Secretary for Civil Rights informed OCR staff of the Reviewing Authority's decision. The *Pickens* decision held that the consolidation of a number of statutes into block grants under Chapter 2 did not give OCR a presumption of broad jurisdiction.

Instead, OCR's jurisdiction is limited to the statutory purposes stipulated by the antecedent statute under which the recipient applies for Chapter 2 funds. Therefore, OCR must expand its investigation of complaints to include requests for information related to the recipient's application for Chapter 2 funds.

Mr. Roybal: Do you think this is an extreme application of the Grove City decision?

Ms. Coro: The Pickens decision is a logical result of the application of Grove City principles in the context of elementary and secondary education.

Mr. Roybal: Has the Department determined if this directive will be extended to cover impact aid funds also?

Ms. Coro: Because Pickens preserves the Grove City distinction between earmarked and nonearmarked funding, the decision has no effect on the Department's position that impact aid, as nonearmarked funding, provides a basis for recipient-wide jurisdiction.

Mr. Roybal: How have the modifications in Lau plans requested by the OCR affected Title VII programs?

Ms. Coro: OCR has not requested school districts to modify Lau plans (plans negotiated pursuant to Title VI of the Civil Rights Act of 1964 to ensure equal educational opportunity for language minority students). In late 1985 and early 1986, OCR notified 496 school districts operating under OCR-approved Lau plans that these districts had the option to modify any of the programs or procedures set forth in the agreements, subject to OCR approval. These districts were specifically informed that any modifications to these programs must continue to meet Title VI requirements and provide for the effective participation of language-minority students in the educational programs they offer.

Any modifications to OCR-approved Lau plans will have no effect on Title VII programs. Title VII of the Bilingual Education Act is administered by the Office of Bilingual Education and Minority Languages Affairs in the Department of Education. The Title VII statute and its implementing regulations set forth specific criteria that school districts must meet to compete for Title VII funds. Since limited funds are available, only certain school districts and schools within those districts actually operate Title VII-funded programs. The operation of these programs must also be in accordance with the statutory and regulatory requirements of Title VII. However, all school districts enrolling language minority students in programs or activities receiving Federal financial assistance from the Department of Education are subject to compliance investigations by OCR and are required to submit compliance agreements when violations of Title VI are found. Many of the school districts that are operating under OCR-approved Lau plans do not receive Title VII funds.

SALARIES AND EXPENSES BUDGET REQUEST

Mr. Stokes: You are requesting $295.755 million for overall departmental management, including the Offices for Civil Rights and the Inspector General, in FY 1987. This amount represents an increase of $13.458 million above the post Gramm-Rudman appropriation for departmental management in FY 1986. When total funding for the Department of Education is slated to decrease by more than $2 billion in FY 1987, why should Congress appropriate more money for administrative costs for your agency in FY 1987?

Mr. Carnes: We anticipate no significant decrease in our 1987 workload even if Congress enacts our program budget request. First, most of our programs are forward funded so that the work needed to obligate, monitor, visit project sites, perform audit resolutions, and close out awards would continue in 1987 even if program funding were cut back. Second, many of the proposed reductions are in large formula grant programs, where workload would not be affected; the same amount of work is required at lower funding levels. Third, we have built-in and necessary increases, such as the $3 million extra needed for rent and an increase for improving student loan collections. Fourth, we have requested an increase of $6 million for the first comprehensive survey of recipients of the $9 billion in Federal student aid; this survey of over 70,000 individuals is critical to decisions of all parts of the Government and the student aid community, including Congress, involved in student aid policy-making.

Mr. Stokes: Under salaries and expenses for Postsecondary Education activities, your request is $88.124 million, an increase of $10.49 million over the FY 1986 appropriation. Please indicate why an increase of this magnitude is needed and how the additional funds would be used?

Mr. Carnes: On a comparable basis, our justification shows an increase of just over half that magnitude for 1987. The Department is continuing its efforts to request all administrative funds in one account. Half of the increase relates to the treatment of formally reimbursable amounts from program accounts. The $5.5 million increase for 1987 includes $1.6 million to cover increases in the Pell Grant program, $900,000 for programming the increased defaulted loan collections through the Internal Revenue Service, $750,000 for a new collections filing system, and $300,000 for the planned development of the Pell integrated application processing system.

OFFICE FOR CIVIL RIGHTS BUDGET REDUCTION

Mr. Stokes: The budget request for the Office for Civil Rights (OCR) for FY 1987 is $38.185 million. This amount is a decrease of $6.395 million below the FY 1986 appropriation and $4.519 million below the FY 1986 appropriation after sequestration. Why is the Office for Civil Rights singled out for a reduction in its budget?

Mr. Carnes: The Office for Civil Rights has not been singled out for a reduction in its budget. Both the on-board and planned employment levels make dollar reductions possible. Workload can be adequately performed with the 840 full-time equivalent employment (FTE) requested in 1987. Indeed, the on-board level in March 1986 is already at 830 FTE. In addition, a decrease of $3.2 million occurs in the budget category for interagency services. Surveys planned for 1986 will not be repeated in 1987. In addition, the category for contracts reflects the reserved amount of $945,000 for consultant services required by Section 515 of the Treasury-Postal Service Act. These and other funds will lapse in 1986, so that the actual decrease in obligation level in 1987 will be much less.

Mr. Stokes: Do you believe that the Office for Civil Rights is doing such a good job in enforcing Civil Rights laws that an 11 percent reduction in its budget would not undermine enforcement activities?

Ms. Coro: OCR does not feel at this time that an 11 percent reduction in its budget would undermine enforcement activities. Past experience has shown that because of improved management, productivity and efficiency have increased in OCR with less staff. At the end of 1984, OCR had virtually eliminated its longstanding backlog of cases. Even more instructive is the fact that OCR significantly reduced the average age of pending complaints from 587 days at the end of FY 1982 to 191 days as of March 31, 1986. Also, as of June 30, 1985, OCR had received 1,594 complaints and resolved almost an equal number, 1,570 complaints.

STATUS OF CIVIL RIGHTS ENFORCEMENT

Mr. Stokes: On December 30, 1985, the House Committee on Government Operations issued a report entitled: "Investigation of Civil Rights Enforcement by the Office of Civil Rights at the Department of Education." The report is very critical of OCR. Among the findings in the report are that:

"OCR and Department of Justice have failed to obtain complete enforcement remedies where serious violations of law were found." According to the report, of the 2,000 violations of law found from 1981 to July 1985, OCR commenced Administrative Enforcement Proceedings in only twenty-seven cases and referred just twenty-four additional cases to Justice for action. Please respond.

Ms. Coro: The enforcement activities of the U.S. Department of Education's Office for Civil Rights are governed by the statutes and regulations promulgated under Title VI of the Civil Rights Act of 1964 (Title VI); Title IX of the Education Amendments of 1972 (Title IX); and Section 504 of the Rehabilitation Act of 1973, as amended (Section 504). These statutes and the implementing regulations require OCR to attempt to remedy civil rights violations through voluntary means before initiating enforcement actions.

In enacting these authorities, the Congress required OCR to obtain compliance through voluntary means. Only after all attempts at voluntary compliance have failed is OCR authorized to seek enforcement action. The Title VI statute states specifically that:

> No such [enforcement] action shall be taken until the department or agency concerned has advised the appropriate person or persons of the failure to comply with the requirement and has determined that compliance cannot be secured by voluntary means.

The Department's Title VI regulations at 34 C.F.R. § 1100.8(c), which have been expressly adopted in the regulations implementing Title IX and Section 504, provide that "No other suspending, terminating or refusing to grant or continue Federal financial assistance shall become effective until (1) the responsible Department official has advised the applicant or recipient of of this failure to comply and has determined that compliance cannot be secured by voluntary means...."

In compliance with the above-referenced statutes and regulations, OCR attempts to remedy the violations found during its complaint investigations and compliance reviews through voluntary means. In 95 percent of the violations found, OCR is able to remedy these violations voluntarily. Only in 5 percent of the cases is enforcement action required. In those cases the violation could not be remedied through voluntary means.

Mr. Stokes: Of the twenty-four cases in which OCR found discrimination and which were referred to Justice for action, Justice has instituted litigation in only three. In sixteen cases it has taken no action, and in five it merely has sent the case back to OCR. Please comment.

Ms. Coro: Of the approximately 2,000 violations of law found from 1981 to July 1985, 1,973 cases were remedied through voluntary means, as required by law. In cases where OCR determines that voluntary compliance cannot be obtained, OCR seeks compliance with the applicable laws by other means authorized by law, which include initiating administrative proceedings or referring the matter to the Department of Justice (DOJ). OCR commenced administrative enforcement proceedings in 27 of these cases and referred the remaining 24 cases to DOJ.

Mr. Stokes: The report also found that "OCR ignored the internal findings of its Quality Assurance Staff." Please comment.

Ms. Coro: Apparently, the report takes the position that since recommended findings of the Quality Assurance Staff (QAS) were not adopted by OCR, then the former Assistant Secretary "ignored" those findings. OCR is not aware of any instances in which the findings of the QAS staff were "ignored."

Mr. Stokes: The report states that "OCR will now rely on a good faith standard, rather than actual achievement, in measuring the success of desegregation plans, despite its internal findings that many systems of higher education have not eliminated the vestiges of illegal dual systems of education." Please comment.

Ms. Coro: The higher education desegregation plans that are being monitored by OCR contain goals established by the implementing States for such things as enhancement of traditionally black colleges, student recruitment and enrollment, faculty recruitment and hiring, and retention of minority students. In measuring the success of the States in remedying violations of Title VI of the Civil Rights Act of 1964, the efforts of the States to implement their plans will be evaluated. OCR has not and will not rely solely on the "good faith standard" in determinining whether and to what extent further desegregation efforts should be required of any State in connection with a higher education desegregation plan that has expired or will expire at the end of the 1985-86 academic year. The former Assistant Secretary, Harry M. Singleton, testified at the House Government Operations Subcommittee hearings that the states' accomplishments in bringing themselves into compliance with Title VI will be measured, in part, by how well they complied with their commitments to bring about a unitary system. If a State has done everything it committed itself to do, and those commitments were all reasonably calculated to bring about the attainment of the goal, then the actual performance of a State will be part of determining what additional steps are reasonable or necessary.

Mr. Stokes: The report states that "OCR cannot ensure that more than 300 cases settled by early complaint resolution were resolved according to Federal law and Department of Education regulations." Please comment.

Ms. Coro: The Early Complaint Resolution program (ECR) is a voluntary process whereby the complainant and recipient institution agree to seek a resolution of the complaint on a voluntary basis prior to any type of OCR investigation. The ECR program has clearly defined procedures for its use by OCR investigators. The procedures are used under limited circumstances. The purpose of ECR is to streamline complaint resolution in those cases where the allegations in the complaint relate solely to a dispute between a particular complainant and a recipient institution, but do not raise issues relating to a class of complainants or issues involved in former or ongoing OCR investigations.

OCR created a task force in 1985 to review the ECR procedures. The task force concluded that ECR is consistent with OCR's enforcement obligations. Among the conclusions and recommendations made by the task force are the following:

(1) ECR settlements should not be required to meet the standards required of Pre-LOF settlements, i.e., settlements made during or after OCR has begun its own investigation.

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(2) Given the fact that ECR procedures apply only if OCR has not commenced its own investigation, it would not be possible to evaluate the outcome of ECR settlements independently without undertaking an investigation of the allegations of civil rights violations contained in the original complaint.

Mr. Stokes: The report states also that "OCR is studying methods to substitute technical assistance for compliance reviews, a switch that OCR's own Policy and Enforcement Staff considers illegal." Please comment.

Ms. Coro: The report notes that the former Assistant Secretary for Civil Rights, Harry M. Singleton, directed the Operations Support Service to study the possibility of developing a more aggressive technical assistance program. It was thought that the importance of exhaustive compliance reviews as enforcement devices might be diminished somewhat if recipient institutions were advised of their obligations under the civil rights statutes and regulations.

In response, the Acting Director, Policy and Enforcement Service, stated that to the extent the proposal eliminated the distinction between OCR's statutorily mandated compliance reviews and its technical assistance activities, it would not be legally supportable. The former Assistant Secretary issued no orders to replace compliance reviews with technical assistance. It should be noted that developing a more aggressive technical assistance program would not eliminate the distinction between compliance reviews and technical assistance.

OCR is not currently studying methods to substitute technical assistance for compliance reviews.

Mr. Stokes: The report stated that "Despite insufficient resources, OCR has not used all funds appropriated by Congress for the enforcement of Federal civil rights laws." Please comment.

Ms. Coro: The report correctly notes that OCR has not used all funds appropriated to it by Congress over the 5-year period examined by the committee. Resources used [or obligations made] by OCR were sufficient to carry out its responsibilities. Increased efficiency due to improved management and the implementation of management information systems have permitted OCR to reduce its staffing level from 1,099 in 1981 to 913 full-time equivalent employees during FY 1985. The funds that were returned to the Treasury reflect budgeting for a higher level of staff than was actually utilized during this period.

It should be noted that during the period 1982 to 1985, OCR significantly reduced the average age of its outstanding complaints from 587 days in FY 1982 to 217 days by the end of FY 1985.

EFFECT OF OCR STAFFING REDUCTION

Mr. Stokes: Last year at this time, the Department testified that the Office for Civil Rights was staffed at about 929 full-time equivalents (FTEs). Your budget for FY 1986 projects only 860 FTEs for FY 1986 and a further reduction to 840 FTEs in FY 1987. How many FTEs do you have currently in the Office for Civil Rights?

Ms. Coro: For March 1986, OCR had an on-board FTE of 830.

Mr. Stokes: How will you achieve a reduction to 860 FTEs in FY 1986 and 840 FTEs in FY 1987? Will reductions in force be required?

Ms. Coro: OCR has already reached a staffing level of 830 FTE through attrition. The 1987 level will not require a reduction in force.

Mr. Stokes: According to the Government Operations Report, "OCR staff shortages remain a serious problem that has contributed to the office's failure to consistently meet the Adams deadlines. In the October 26, 1977, Adams order the court specifically found that the Government had not done everything in its power to obtain additional staff, and that staff shortages contributed to OCR's failure to meet the order's time frames. In 1981, an internal OCR study found that staff shortages were a main reason that OCR failed to meet the Adams deadlines." In 1985, former OCR Director Harry Singleton testified before the Government Operations Committee that staff shortages were a problem. What impact will additional staffing reductions have on your enforcement activities? What major activities will be affected?

Ms. Coro: OCR is comfortable with the FY 1987 staffing levels and expects no effect on enforcement activities at this time.

Mr. Stokes: What was the original request of the Office for Civil Rights to the Department's budget office for FTEs in FY 1987?

Ms. Coro: OCR requested 907 FTE for FY 1987. This was the same as the FTE level which had been requested for FY 1986 in the President's FY 1986 budget. OCR's FY 1986 staffing estimate is 860 FTE after the sequestering required by the Balanced Budget and Emergency Deficit Control Act of 1985. The FY 1987 request of 840 FTE for OCR in the President's FY 1987 budget is a decrease of 20 FTE below the estimated FY 1986 FTE usage.

USE OF CIVIL RIGHTS FUNDS

Mr. Stokes: The Government Operations Committee report also indicated that of the $272 million appropriated by Congress for the Office for Civil Rights between FY 1980 and FY 1985, $20 million, more than 7 percent, was not used as intended. Of the $20 million, $8.152 million was returned to the Treasury, $7 million was used to pay mail penalty costs to the U.S. Postal Service for the entire Department of Education and $5 million was transferred to Howard University. Would you comment on why funds appropriated by Congress were not used for civil rights enforcement?

Ms. Coro: Funds returned to Treasury or used for other purposes were not needed to administer the activities in the Office for Civil Rights.

The Department of Education's Office of General Counsel rendered an opinion regarding broad appropriations availability for postal service costs. This opinion was based on the language contained in 39 USC 3206 and Comptroller General decisions at 33 CG 206 and 33 CG 216. The opinion stated that:

> ...the Comptroller General has explicitly acknowledged that the legislation now contained in 39 USC 3206 confers "broad authority" on Federal agencies (33 CG 218) and that "in view of the broad language used [in 39 USC 3206], there appears to be no requirement that the appropriation of the particular activity or bureau concerned be charged with the cost of mailings growing out of its official functions and such costs may be charged to any appropriation or fund available to the department, agency, or establishment concerned." 33 CG 207. (Emphasis added)

The $5,000,000 transferred to Howard University was transferred by the Congress in the 1984 Supplemental Appropriations Act (Pub. L. 98-396), approved August 22, 1984.

OCR COMPLAINT BACKLOG

Mr. Stokes: In 1984, the average time required to process discrimination complaints was 229 days. What progress has been made in reducing this time period?

Ms. Coro: The 229 days cited in the question may be the average age of complaints pending at the end of FY 1984, as reported in the FY 1984 Year-End Report. The average age of complaints pending at the end of FY 1985 was 217 days, a reduction of 5 percent. As of March 31, 1986, the average age of pending complaints was 191 days.

Mr. Stokes: Do you have a complaint backlog at this time?

Ms. Coro: OCR does not have a backlog of cases at this time. Although the number of complaints pending increased to 1,009 at the end of FY 1985, the average calendar age of those cases was 217 days, lower than that of the three previous fiscal years.

Mr. Stokes: How many complaints do you project receiving in FY 1987 as compared with FY 1986 and FY 1985?

Ms. Coro: In FY 1985, 2,199 complaints were received. However, 173 of those complaints were from one complainant. It appears that complaint receipts will increase in FY 1986, as 1,409 had been received by the end of the second quarter, and 939 are projected for the second half of the fiscal year. Thus, receipts are expected to total 2,348 by the end of FY 1986.

Because OCR's time series projection model has proved most accurate over a six-month time horizon, projections are limited to two quarters. Therefore, a projection has not been developed for FY 1987 complaint receipts.

Mr. Stokes: What is the Department's policy with respect to the inclusion of AIDS as a handicapping condition under section 504 of the Rehabilitation Amendments?

Ms. Coro: The Section 504 regulation does not include a list or other designation of "handicapping conditions." The regulation does, however, include a series of disorders or conditions of various body systems which are to be regarded as "physical or mental impairment[s]" [34 C.F.R. §§ 104.3(j)(2)(i)(A) and (B)]. The Office for Civil Rights does not have a policy that specifically addresses AIDS as a "physical or mental impairment" under Section 504 of the Rehabilitation Act.

Mr. Stokes: Have you received any discrimination complaints in this regard?

Ms. Coro: Two complaints involving persons with AIDS were filed with OCR under Section 504 of the Rehabilitation Act of 1973. In one case the complaint was withdrawn by the complainant and the case closed by OCR. In the other, the case was closed after the complainant, an advocacy group, did not provide OCR with evidence that it was acting with the consent of the individual AIDS victim on whose behalf the complaint was filed and on whose behalf the investigation would have been conducted. Given the circumstances of the closures, in neither case did OCR issue findings of fact or render conclusions of law.

Mr. Stokes: The Office for Civil Rights now has an acting administrator. When do you expect to have a permanent administrator?

Ms. Coro: On February 11, 1986, Dr. Barbara Lerner, of New Jersey, was nominated to be Assistant Secretary for Civil Rights. Dr. Lerner will assume her duties when confirmed by the United States Senate.

REGIONAL LABS

Mr. Hoyer: Last year, the Senate Report included language relating to fee-bearing contracts for the regional labs. It directed you to continue to pay the standard fee-bearing contracts. What action has been taken in the last year?

Mr. Carnes: During the past year we completed the first nationwide recompetition of the regional laboratories in their 20 year history; the request for proposals for the recompetition specified that awards would be made under the new Federal Acquisition Regulations (FAR, §16.302), as cost-reimburseable contracts without a fee. In making the awards, OERI notified the applicants to include in their proposals all proposed activities including those customarily supported through a fee, and these would be negotiated on a case-by-case basis at the time of award. Most of the items proposed were acccommodated within the amount awarded.

Mr. Hoyer: What types of costs are included in the fee?

Mr. Carnes: The intent of the fee is to enable contractors to pay for a variety of legitimate items included in the cost of doing business which were not specifically connected to individual tasks they were contracted to perform. For example, it allows an R&D contractor the flexibility to use small amounts to explore new opportunities that emerge in the course of their work. It also has been used to pay such costs as insurance payments, losses on fixed price contracts, legal costs for law suits, emergency purchases of equipment and maintenance, and retirement fund payments.

Mr. Hoyer: Is the Department opposed to paying for fees?

Mr. Carnes: The Department has been consistently working toward assuring that all legitimate costs allowable for Government payment shall be included within the proposed contract budget as either direct or indirect costs rather than paid as a fee over and above the proposed budget.

Mr. Hoyer: How important are these fees to the operation of regional labs? I've been told that they are very important.

Mr. Carnes: The Laboratories and Department agree that it is desirable for R&D contractors to have some flexibility to explore opportunities to perform in better ways that arise while they are carrying out contracted work. That flexibility, however, is possible under our new approach without providing a fee.

Mr. Hoyer: Under your new regulations, what items were and were not accomodated within the amounts awarded?

Mr. Carnes: We would not allow reimbursement for any costs that technically should not be paid from Federal funds, such as entertainment expenses, legal fees, losses on contracts, or expenses of registered lobbying organizations.

Mr. Hoyer: What are the results of the latest competition for regional labs?

Mr. Carnes: Nine labs were selected.

Mr. Hoyer: Where are the labs located?

Mr. Carnes: The location of the labs are as follows:

Appalachian Educational
Laboratory, Inc.
Charleston, West Virginia

Far West Laboratory
San Francisco, California

Mid-Continent Regional
Educational Laboratory
Aurora, Colorado

North Central Regional
Educational Laboratory
Elmhurst, Illinois

Northwest Regional
Educational Laboratory
Portland, Oregon

Regional Laboratory for
Educational Improvement
of the Northeast and Islands
Andover, Massachusetts

Research for Better Schools
Philadelphia, Pennslyvania

Southwest Educational
Development Laboratory
Austin, Texas

Southeastern Regional
Improvement Laboratory
Research Triangle Park,
North Carolina 27709

RESEARCH AND DEVELOPMENT CENTERS

Mr. Hoyer: Please provide for the record a list of the 10 Centers currently being funded and their purpose.

Mr. Carnes: Information on the 10 Centers follows:

Center for Effective Elementary and Middle Schools
Johns Hopkins University
Baltimore, Maryland

Mission:

The mission of the Center on Effective Elementary and Middle Schools is to produce useful knowledge about how elementary and middle schools can foster growth in student's learning and development, to develop and evaluate practical methods for improving the effectiveness of elementary and middle schools based on existing and new research findings, and to develop and evaluate specific strategies to help schools implement effective research-based school and classroom practices.

Major Projects: Program of Effective Elementary Schools, Program on Effective Middle Schools, and Program on School Improvement.

Center on Effective Secondary Schools
University of Wisconsin
Madison, Wisconsin

Mission:

The mission of the Center on Effective Secondary Schools is to learn how to improve the achievement of all students through strategies at the school site that enhance student engagement. Special attention is directed to the needs of disadvantaged and less successful students. Research on improving academic achievement will be guided by three central assumptions: (a) that the conception and measurement of appropriate forms of achievement are themselves problemmatic--the mission should not be construed simply as increasing student scores on tests currently in use; (b) that to improve academic achievement, we must first understand how to increase student engagement in academic work; and (c) that although policies and conditions originating beyond the school have substantial impact on student achievement, more attention must be given to levers at the school site; that is, to the strategies that teachers and administrators can use to alter conditions in their own schools to increase students' engagement and achievement.

Major Projects: Academic Achievement, Higher Order Thinking Area, At-Risk Student Area, Staff Working Conditions Area, School Change Area.

Center on Education and Employment
Columbia University
New York, New York

Mission:

The mission of the Center on Education and Employment at Teachers College is to determine the implications for education and training of the important kinds of changes that are occurring in employment and the economy. Included are issues of both the education and training that is being provided through formal systems of schooling and the education and training that is being provided through employers or other kinds of institutions. Issues of the quality and content, and the timing and place of education and training in relation to the worklives of individuals and the performance of the economy will be emphasized. Such issues are likely to grow in importance in the years ahead as technology changes and we make the transition in our economy to a postindustrial age.

Major Projects: Trends in the Nature and Structure of Work, Learning In and For the Workplace, Policies and Structures Affecting Education, Training and Employment Systems in the Public and Private Sectors.

Center for Improving Postsecondary Learning and Teaching
University of Michigan
Ann Arbor, Michigan

Mission:

The Center for Improving Postsecondary Learning and Teaching focuses its research, development and dissemination activities on five aspects of college learning environments that affect learner outcomes: classroom learning and teaching strategies, curricular structure and integration, faculty attitudes and teaching behaviors, organizational practices, and use of emerging information technology. While recognizing multiple student outcomes of college such as cognitive development, personal development and career development, the Center emphasizes cognitive development of undergraduate students in colleges that concentrate on teaching as their primary mission. This emphasis was chosen because the recent dramatic progress of research in cognition holds great promise for improving learning and teaching.

Major Projects: Program on Instructional Processes and Educational Outcomes; Program on Curricular Integration and Student Goals; Program on Faculty as a Key Resource; Program on the Context for Teaching and Learning; and, Program on Learning and Teaching and Technology Program on Research, Leadership, Design and Integration.

Center for Postsecondary Governance and Finance
University of Maryland
College Park, Maryland

Mission:

The mission of the Center on Postsecondary Governance and Finance is to improve the effectiveness, efficiency and equity of teaching, research and public service in postsecondary education through programs of policy research and dissemination of information designed to improve governance, management and finance practices. The concerns of postsecondary education will be pursued at the institutional, inter-institutional, State and Federal levels. These aims include: 1) promoting learning through teaching, 2) creating new knowledge through research and scholarship, and 3) disseminating knowledge and providing assistance through public service activities.

Major Projects: Examination of National Trends and External Agencies that Affect Campuses; Examination of Internal Campus Governance Management and Finance Processes; and Examination of Bodies of Organizational Theories Produced in Various Disciplines That Have Relevance to Higher Education Research and Practice.

Center on State and Local Policy Development and Leadership
The State University of New Jersey
New Brunswick, New Jersey

Mission:

The mission of the Center on State and Local Policy Development and Leadership is to produce research that 1) is useful to policymakers and their constituents, 2) focuses on the relationships between policy and the central concerns of schooling--teaching, learning, school organization, and student performance, 3) strengthens the connections among policy, practice, and performance, 4) provides helpful and accurate information about a broad range of policy instruments that can be used in influencing educational practice, 5) contributes to sound theory and knowledge about which types of policy work best under which circumstances, and 6) fosters a continuing and strengthened dialogue between the consumers and producers of research.

Major Projects: Linking Policy Practice and Efforts; Emerging Strategies and Structures; Educational Indicators; and, Dissemination.

Center for Student Testing, Evaluation, and Standards: Assessing and Improving Quality
University of California at Los Angeles
Los Angeles, California

Mission:

The Center for Student Testing, Evaluation, and Standards (CSTES) conducts research designed to improve the quality of testing and evaluation practices, seeking to increase their contribution to educational excellence and equity, their impact on local school improvement, and their role in enlightened State and local policymaking. Critical to the approach is the belief that evaluation and testing can contribute significantly to educational quality and to planning and decisionmaking at all levels of the educational enterprise: from the individual student through the classroom, school, district, State, and Federal levels. If they are to have such an impact, however, testing and evaluation must be sensitive to the complexities and realities of the schooling process, to the local and regional character of education, and to the multiplicity of constituencies who have a stake in education and its evaluation.

Major Projects: Testing for the Improvement of Learning Program; Systems for Evaluating and Improving Educational Quality Program; and, The Impact of Testing and Evaluation on Educational Standards, Policy and Practice Program.

Center for the Study of Learning
University of Pittsburgh
Pittsurgh, Pennsylvania

Mission:

The mission of the Center for the Study of Learning (CSL) is to apply the most advanced scientific resources to the study of school subject-matter learning. CSL seeks knowledge that will help raise levels of educational performance for all children, from the hardest to teach to the most talented. CSL focuses its research efforts on an issue central to planning educational experiences for students: the appropriate relationship between the acquisition of general capabilities in learning, reasoning, and problem solving, and the subject matters--mathematics, science, and social studies. Skills for learning and thinking are addressed in the context of each of these subject areas.

Major Projects: Mathematics Learning; Science Learning; Social Studies Learning; and, Learning Skills.

Center for the Study of Writing
University of California - Berkeley
Berkeley, California

Mission:

The Center for the Study of Writing is a consortium whose primary mission is to help teachers transmit to future generations not just the skill but the art of writing. The Center's mission aims to reconceptualize research on writing to bring together the worlds of research and practice--that will result in "research-sensitive practice and practice-sensitive research." The Center takes an integrative approach to studying writing, an approach that integrates research on social context with research on cognition, and, using a multidisciplinary perspective, the Center aims to build a social-cognitive theory of writing. Perceiving writing to be a means of communication, a skill to be developed, and a way to help students learn across disciplines, the Center also recognizes that writing is influenced by a context that includes the nature of the particular task, the roles and interactions of the people involved, and the wider social and organizational structure.

Major Projects: Writing and the Writer; and, Writing and Instruction.

Interactions: Writing and Reading, Writing and Speaking, Writing and Computers.

Center on Teacher Education
Michigan State University
East Lansing, Michigan

Mission:

The National Center on Teacher Education will generate new and useful knowledge about what prospective teachers need to know in order to be effective in the classrooms. In order to accomplish this charge, the center will focus on four critical tasks: 1) clarify the skills, knowledge and dispositions required of teachers for effective academic instruction; 2) study how teachers acquire such knowledge, and dispositions, and how their learning might be improved; 3) study the character and quality of various programs of teacher education; and 4) assess what can be learned from existing efforts to reform teacher education and study ways of making change more effective.

Major Projects:

The first year of work involves a single project: the development of instruments to be used in a major panel study, and the refinement of the study design.

The current design calls for work in years two through five in the following areas:

Studies of undergraduate teacher education;
Studies of inservice education;
Studies of alternatives to undergraduate teacher education;
Studies of teachers' learning and its assessment.

OFFICE FOR CIVIL RIGHTS STAFFING

Mr. Hoyer: What will be your FTE level for fiscal year 1987?

Ms. Coro: A staffing level of 840 FTE has been requested for the Office for Civil Rights for FY 1987.

Mr. Hoyer: What was it for fiscal year 1986 and 1985?

Ms. Coro: For FY 1986, OCR's estimated usage is 860 FTE. For FY 1985, OCR's staffing level was 913 FTE.

Mr. Hoyer: How many did you request in each of those years and how many did you use?

Ms. Coro: In the President's Budget, OCR requested 970 FTE for FY 1985 and 907 FTE for FY 1986. OCR used 913 FTE for FY 1985 and for the period October 1, 1985, to March 29, 1986, OCR used 845 FTE. The current on-board FTE level is 830.

EFFECT OF SEQUESTRATION ON OCR

Mr. Hoyer: How has the March 1 sequestration affected your office?

Ms. Coro: The sequestration requirements can be met without adversely affecting the enforcement of civil rights laws pertaining to programs and institutions that receive funds from the Department.

The FY 1986 sequester for OCR is $1,876,000. Based on the FY 1986 staffing level of 860 FTE, approximately 90 percent of the sequester reflects anticipated savings resulting from lower funding requirements for personnel compensation and benefits.

The remaining 10 percent of the sequester reflects anticipated cost reductions in the "Other Services" category.

Mr. Hoyer: Has sequestration affected travel of investigations?

Ms. Coro: No, the sequestration has not affected travel for investigations. The sequestration has not resulted in any curtailment of travel for conducting complaint investigations, compliance reviews, and related activities.

Mr. Hoyer: How many investigators are normally sent to investigate complaints or conduct compliance reviews?

Ms. Coro: OCR generally sends one investigator per complaint and one or two per compliance review. However, investigations or reviews that involve more complex issues may require that two or more individuals conduct the on-site investigation.

Mr. Hoyer: How many will be sent in fiscal year FY 1986 and 1987?

Ms. Coro: The same number of investigators per case is anticipated for the remainder of FY 1986 and FY 1987. One investigator will be sent for routine complaint investigations or compliance reviews, and two or more for those investigations that involve complex or multiple issues. When two or more investigators are sent on-site, efforts are made to hold travel cost to a minimum.

Mr. Hoyer: What effect will this have on investigations?

Ms. Coro: OCR anticipates that the number of staff presently assigned to investigations will be sufficient to conduct its investigations within prescribed time frames.

Mr. Hoyer: How many school districts in the South have not completed the desegregation process?

Ms. Coro: To answer this question with respect to school districts within its jurisdiction, it will be necessary for OCR to survey records maintained by the Regional Civil Rights Offices in Atlanta, Philadelphia, and Dallas. These offices will be able to list those school districts in the South which are still in the process of desegregation under voluntary plans negotiated with OCR, or in which violations have been found and no plans of correction have yet been obtained. OCR estimates that it will take 45 days to complete this survey.

Mr. Hoyer: Has the level of compliance reviews increased or decreased since fiscal year 1980? If so, why?

Ms. Coro: Data on compliance review activity before FY 1983 have not been compiled. During FY 1983, OCR started 287 compliance reviews. During FY 1984, the number of compliance review starts decreased to 220 reviews. During FY 1985, however, the number increased to 273 reviews. Therefore, a consistent increase or decrease has not occurred.

Mr. Hoyer: What is the current ratio between clerical and professional staff?

Ms. Coro: The current ratio of clerical to professional and technical staff is 1 to 5.

Mr. Conte: How many employees are currently on board in the Office for Civil Rights?

Ms. Coro: For March 1986, OCR had on board 857 full-time and part-time employees reflecting 830 FTE.

Mr. Conte: Has the staff turnover rate for this office, which used to be pretty high, slowed down in the last couple of years?

Ms. Coro: OCR's FY 1984 attrition rate was approximately 9 per month and the FY 1985 rate approximately 8 per month. From October 1, 1985, to March 29, 1986, the attrition rate was approximately 10 employees per month.

Mr. Conte: Do you feel good about the staff, have you been able to retain a qualified group down there?

Ms. Coro: Yes, we have been able to retain a qualified staff.

Mr. Conte: Has the number of complaints the Civil Rights Office receives been going up or down in the last two years?

Ms. Coro: During FY 1984, the Office for Civil Rights received 1,935 complaints, a number almost equal to the previous fiscal year's receipts (1,946 complaints were received in FY 1983). However, the number of receipts increased by 14 percent in FY 1985, when 2,199 complaints were received. However, 173 of the FY 1985 complaint receipts were from one complainant.

Mr. Conte: How long does it take your office to process a complaint once it has been made?

Ms. Coro: The average age of all complaints pending at the end of FY 1985 was 217 days. This represents a decrease from FY 1984, when the average age of complaints pending was 229 days.

Mr. Conte: Why does it take so much less time now than it used to?

Ms. Coro: A major reason it takes much less time to process a complaint once it has been made is OCR's significantly improved management. Another reason is the renewed emphasis on affording recipients an opportunity to achieve voluntary compliance with the civil rights laws where a deficiency may have been found. The civil rights statutes, which OCR enforces, require that OCR seek "voluntary compliance" on the part of recipients before initiating formal enforcement action. Accordingly, one significant aspect of OCR's compliance program is the emphasis on obtaining compliance voluntarily from an educational institution when a violation has been found. This is in the best interest of all parties and is the most effective enforcement route to follow.

GOVERNMENT PRINTING OFFICE

Mr. Conte: I am aware that the Public Printer, at the Government Printing Office, has certain initiatives to encourage Federal agencies to take maximum advantage of GPO commercial procurement contracts. Also, the new GPO electronic publishing procurements are now saving very substantial tax dollars. Have you looked into this, and do you have any plans to increase your reliance on GPO for both printing and electronic publishing?

Mr. Carnes: Over 90 percent of the Department's printing is handled by GPO, the rest is in-house material not for distribution to the public. Of materials sent to GPO, the vast majority are one-time printing actions without need for future update or other changes. The exceptions are the annual statistical reports prepared for the Office of Educational Research and Improvement. These alone need and take advantage of GPO's electronic publishing procurements.

PUBLICATION REVIEW BOARD

Mr. Conte: You know, Mr. Carnes, we've heard an earful about problems with the Publications and Audiovisual Advisory Council. Is that Council still in operation?

Mr. Carnes: On November 5, 1985, the Secretary announced several revisions in the policies of the Publications and Audiovisual Advisory Council (PAVAC) as well as renaming the Council now simply the Publication Review Board (PRB), since it never was an advisory council. The major policy changes include exemption of research publications from review and broader program office representation within the Department in the reviewing process.

Mr. Conte: Can you tell me how many projects have been submitted to this council for review in the past year, and how many of these projects were rejected? And can you break that out for me in the record by agency, how many each submitted and how many of those were rejected?

Mr. Carnes: Yes, in answer to your question I provide the following table:

Office	Publica. Requests	Publica. Approvals	Publica. Disappro.	Audio. Requests	Audio. Approvals	Audio. Disappro.
Regions	--	--	--	--	--	--
OS/OUS	8	8	--	2	2	--
OM	--	--	--	--	--	--
OESE	20	13	7	--	--	--
OPE	23	23	--	--	--	--
OVAE	15	12	3	3	3	--
OSERS	28	26	2	4	4	--
OERI	505*	363	115	--	--	--
OBEMLA	9	9	--	1	--	1
OCR	--	--	--	--	--	--
OLPA	1	1	--	--	--	--
OPBE	8	8	--	--	--	--
OIG	8	8	--	--	--	--
OIIA	6	6	--	2	2	--
Total	631	477	127	12	11	1

*Of the 505 products reviewed, 442 were Labs & Centers submissions. Of the 442 products, 251 were approved, 52 were modified, 112 disapproved, and 27 were withdrawn.

Mr. Conte: Where do the funds for this council show up in your budget request?

Mr. Carnes: There is no special budgeting for the Publication Review Board. The Board is administered by the Management Improvement Service in the Office of Management. The reviews are accomplished by senior staff from throughout the Department. The printing costs are charged to the printing budget of the office submitting the publication request.

PROPOSAL TO MERGE ACCOUNTS

Mr. Porter: Under the 1987 budget request, there is a proposal to merge Salaries and Expenses, the Office for Civil Rights (OCR), and the Office of the Inspector General (OIG) into one account. What implications will this have with regard to the independence of the Inspector General?

Mr. Carnes: The Inspector General will continue to report directly to the Secretary. We have proposed a floor in appropriations language of not less than $16,378,000 to be made available for expenses of the Office of the Inspector General. This treatment is consistent with the General Accounting Office recommendation on independence of Inspectors General.

Mr. Porter: Will the proposed appropriation language be sufficient to ensure the necessary independence?

Mr. Carnes: We believe that the proposed appropriation language, along with other legal and procedural safeguards, will be sufficient.

Mr. Porter: I notice that the budget request calls for an increase in Salaries and Expenses over the FY 1986 appropriated level. Do you anticipate that another increase will be necessary next year?

Mr. Carnes: We do not anticipate an increase for 1988 above our current budget request for FY 1987. Our long range planning estimate at this time is for less budget authority in 1988, but that is subject to change for new responsibilities or initiatives. Our out-year assumptions in the President's Budget show a decrease.

Mr. Porter: What are the reasons for an increase for the Office of Postsecondary Education (OPE) when student aid award levels are decreasing?

Mr. Carnes: The main reason for an increase is that application processing costs and loan collection activities continue to increase. We expect these trends to continue in 1987 for the forwardfunded student aid programs and for the collections of over $40 billion in outstanding guaranteed loans already made. One example of an increased cost for loan collections is the tax refund offset project at the Internal Revenue Service which will be expanded in 1987. We rely on contractors for the related processing and collection activities.

WASTE, FRAUD, AND ABUSE IN DEPARTMENT

Mr. Porter: Is there a great deal of waste, fraud and abuse within the Department of Education in your view?

Mr. Thomas: I cannot say that there is or is not a great deal of waste, fraud, and abuse within the Department itself. Certainly the internal accounting, management and control systems could be improved and in some cases have serious deficiencies. We continue to work closely with Departmental officials in implementing the Federal Managers' Financial Integrity Act and to make recommendations for improvements based on results of our internal audits. In terms of waste, fraud and abuse in programs administered by the Department, I believe there is no way to get an accurate measure of the problem. There are some 44,000 recipients receiving and administering ED funds outside the Department. In addition, there are millions of individuals participating in student aid programs.

Certainly, we are finding fraud and waste in the program areas, and in my opinion, any amount of fraud, waste and abuse is too much. We will continue to carry out strong programs to try to prevent it in advance. We will also continue to detect those instances of fraud, waste, and abuse which exist in the Department's programs, prosecute wrongdoers where possible, and make recommendations for corrective action where appropriate.

Mr. Porter: What is currently being done in the area of non-U.S. citizens fraudulently receiving student aid benefits?

Mr. Thomas: Since 1981, we have worked closely with the Criminal Division of the U.S. Department of Justice, the Immigration and Naturalization Service, and other Federal, State and local law enforcement agencies to identify, investigate, and prosecute aliens who have illegally received student financial assistance by falsely claiming U.S. citizenship or an eligible alien status.

Mr. Porter: How many indictments were issued in the past year?

Mr. Thomas: Our records show 98 indictments from April 1, 1985, to March 31, 1986, were issued for this type of fraud.

STUDENT LOAN DEFAULT RATE

Mr. Porter: Is the overall rate of student loan defaults going up or down?

Mr. Skelly: The overall rate of defaults is expected to climb by 1 percent in FY 1987.

Mr. Porter: How are the rates determined?

Mr. Skelly: The net rate is calculated on the total number of defaults paid to lenders, minus the collections made on defaults, divided by the total number of loans going into repayment.

Mr. Porter: Are you satisfied that this rate is accurate?

Mr. Skelly: Yes, given the information we receive, we are reasonably satisfied with the accuracy of the rate.

DEPARTMENT OF EDUCATION

Salaries and Expenses

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DEPARTMENT OF EDUCATION

Salaries and Expenses - continued

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SALARIES AND EXPENSES

For carrying out, to the extent not otherwise provided, the Department of Education Organization Act, including rental of conference rooms in the District of Columbia and hire of three passenger motor vehicles, [$225,867,000] $295,755,000: Provided, That not less than $16,378,000 shall be available for expenses of the Office of the Inspector General.[1/]

[OFFICE FOR CIVIL RIGHTS][2/]

[For expenses necessary for the Office for Civil Rights, as authorized by section 203 of the Department of Education Organization Act, $44,580,000.]

[OFFICE OF THE INSPECTOR GENERAL][2/]

[For expenses necessary for the Office of the Inspector General, as authorized by section 212 of the Department of Education Organization Act, $15,312,000.] (Department of Education Appropriation Act, 1986.)

Explanation of Language Changes

1/ Language is included here for the Office of the Inspector General, which is proposed to be financed under Salaries and Expenses in 1987. A funding floor for that activity is proposed to emphasize the independence of both the operation and financial resources of that activity. This will assure that the Inspector General will be independent of administrative budget officials whose activities he may be called upon to audit.

2/ Office for Civil Rights and Office of the Inspector General activities are proposed to be financed under Salaries and Expenses; therefore, the 1986 account titles and language are deleted for these accounts.

Salaries and Expenses

Language Analysis

Language Provision	Explanation
...Provided, That not less than $16,378,000 shall be available for expenses of the Office of the Inspector General.	This provision sets an appropriation floor for the Office of the Inspector General.

Salaries and Expenses

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual	$241,075,000	$225,867,000	$295,755,000
Sequester order	---	-9,713,000	---
Subtotal, adjusted appropriation	241,075,000	216,154,000	295,755,000
Comparative transfer from:			
Office for Civil Rights	45,000,000	44,580,000	---
Sequester order	---	-1,876,000	---
Office of the Inspector General	15,312,000	15,312,000	---
Sequester order	---	-658,000	---
Subtotal, adjusted budget authority (merged account)	301,387,000	273,512,000	295,755,000
Comparative transfer from:			
Bilingual Education for field reader activities.	137,000	150,000	---
Education for the Handicapped for field-reader activities	430,000	590,000	---
Rehabilitation Services and Handicapped Research for field reader activity	107,000	125,000	---
Student Financial Assistance for administative activities	---	1,454,000	---
Guaranteed Student Loans for administrative activities	1,500,000	5,966,000	---
Higher Education Facilities Loans and Insurance for loan servicing	75,000	100,000	---

Salaries and Expenses

Amounts Available for Obligation - continued

	1985	1986	1987
Education Research and Improvement for field reader activities........	$126,000	$400,000	---
Subtotal, adjusted budget authority................	303,762,000	282,297,000	$295,755,000
Unobligated balance, start of year..........	79,000	29,000	---
Comparative transfer of unobligated balances from:			
Student Financial Assistance for loan collection activities..	---	108,000	---
College Housing Loans for loan servicing activities.............	179,000	870,000	---
Unobligated balance, end of year................	-29,000	---	---
Unobligated balance lapsing	-4,254,000[1]	-945,000[1]	---
Total obligations...	299,737,000[2][3]	282,359,000[2]	295,755,000[2]

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[1] Funds not available for obligation under provisions of Section 515 of the Treasury-Postal Service Appropriations Acts of 1985 and 1986.

[2] Excludes the following amounts for reimbursable activities carried out by this account: 1985 - $3,702,000; 1986 - $27,796,000; and 1987 - $19,222,000.

[3] The total obligations at the end of fiscal year 1985 include $2,876,000 contingently obligated under court order.

Salaries and Expenses

Budget Authority by Activity

	1986 Appropriation	1986 Available After Sequestering	1986 Revised	1987
1. Postsecondary education............	$77,631,000	$74,902,000	$82,606,000	$88,124,000
2. Other education programs...........	56,684,000	55,107,000	56,107,000	64,047,000
3. Civil rights.......................	44,580,000	42,704,000	42,704,000	38,185,000
4. Inspector General..................	15,312,000	14,654,000	14,654,000	16,378,000
5. Executive direction................	91,552,000	86,145,000	86,226,000	89,021,000
Total.........................	285,759,000	273,512,000	282,297,000	295,755,000

NOTES

The amount appropriated for Salaries and Expenses in 1986 has been distributed to amounts for "Postsecondary education," "Other education programs," and "Executive direction."

1. The 1986 Revised level for Postsecondary Education includes $1,454,000 for Pell grant activities previously financed in Student Financial Assistance; $5,966,000 for administrative activities previously financed in Guaranteed Student Loans; and $100,000 for loan servicing previously financed in Higher Education Facilities Loans and Insurance.

2. The 1986 Revised level for Other Education Programs includes field reader activities previously financed in other accounts as follows: $150,000 in Bilingual Education, $590,000 in Education for the Handicapped, $125,000 in Rehabilitation Services and Handicapped Research, and $400,000 in Education Research and Improvement.

Salaries and Expenses

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Full-time equivalent of full time permanent positions......	4,386	4,359	4,345
Full-time equivalent of all other positions................	442	114	106
Total compensable workyears......	4,828	4,473	4,451
Personnel Compensation:			
FTP Positions....................	155,992	153,025	153,030
PTT and FTT Positions............	9,403	3,990	3,917
Other Personnel Compensation.....	2,782	1,842	1,922
Special Personnel Services Payments..............	142	0	0
Subtotal, Personnel Compensation..................	168,318	158,857	158,869
Personnel Benefits...............	19,052	18,175	18,400
Benefits for Former Personnel....	570	167	116
Travel/ Transport of People......	5,173	3,782	5,251
Transportation of Things.........	144	84	140
Standard Level User Charges......	17,702	18,005	21,149
Communications, Utilities, and Other Rent................	16,061	11,771	14,667
Printing and reproduction........	4,343	4,964	4,962
Other services...................	67,757	65,267	70,338
Supplies and materials...........	1,705	998	1,238
Equipment........................	2,937	227	625
Budget Authority by Object......	303,762	282,297	295,755

Note: BA by Object totals include amounts held in reserve under Section 515 of the Treasury-Postal Service Appropriations Acts of 1985 and 1986 as follows: $4254 thousand, 1985; $945 thousand, 1966.

Salaries and Expenses

Summary of Changes

1986 Estimate	$294,544,000
1986 Sequester order	12,247,000
Total estimated budget authority	282,297,000
1987 Request	295,755,000
Net change	+13,458,000

	1986 base 1/	Change from base
Increases:		
Built in:		
1. Within-grade increases for GS employees and GM employees and career ladder promotions	$177,032,000	+$2,719,000
2. Increase in Standard Level User Charge rates imposed by GSA	18,005,000	+3,144,000
3. Increase in Communications for telephone service to meet increased GSA cost estimates	6,266,000	+86,000
Program:		
1. Increase in Salaries for awards to improve employee motivation and reward work performance	1,111,000	+80,000
2. Increase in Salaries and Benefits for 60 additional FTE	177,032,000	+2,535,000
3. Additional Travel to increase monitoring of programs and advisory council meetings and for leadership functions	3,782,000	+1,469,000
4. Increase in Transportation of Things due to higher usage	84,000	+56,000
5. Increase in Communications for penalty mail to offset partial payment of 1986 charges from unobligated balances in accounts of expired programs	3,059,000	+3,130,000

Salaries and Expenses

Summary of Changes - Continued

Increases: Program:	1986 base 1/	Change from base
6. Increase in Other Services for training deferred from 1986....	$372,000	+$435,000
7. Increase in Other Services for repair of equipment formerly rented but owned in 1987.......	926,000	+99,000
8. Increase in Other Services for building renovations to support office space reduction.	963,000	+44,000
9. Increase in Other Services for student aid survey.............	900,000	+6,200,000
10. Increase in Other Services to cover new Pell Grant program requirements, and to develop the Pell integrated system.....	24,300,000	+1,885,000
11. Increase in Other Services for support of Guaranteed Student Loan and NDSL program processing required by volume increases and new contract................	36,606,000	+900,000
12. Increase in Other Services for creation of a new collection filing system in support of Guaranteed Student Loans and NDSL.........................	36,606,000	+750,000
13. Increase in Other Services for increased use of outside field readers......................	1,784,000	+613,000
14. Increase in Supplies to replenish stocks drawn down in 1986.........................	998,000	+240,000
15. Increase in Equipment to purchase ADP equipment rented in 1986 and other equipment deferred from 1986.............	227,000	+398,000
Subtotal...........		+24,783,000

Salaries and Expenses

Summary of Changes - Continued

	1986 base[1/]	Change from base
Decreases:		
Built in:		
1. Decrease in Benefits for former personnel for severance pay not required in 1987.................	$167,000	-$51,000
2. Reduction in Communications by discontinuing most ADP rentals...	1,320,000	-321,000
3. Reduction in Other Services for non-recurring contracts in 1986..	10,600,000	-382,000
Program:		
1. Savings in Salaries and Benefits from reduction in excess overhead (82 FTE).....................	177,032,000	-3,264,000
2. Savings in Salaries and Benefits through reduction in proportion of grades 11-15 employees........	177,032,000	-1,832,000
3. Decrease in Printing due to net decrease in usage.................	4,964,000	-2,000
4. Decrease in Other Services because of reduced need for services of other agencies.......	6,505,000	-3,457,000
5. Decrease in Other Services for reductions in low priority ADP services..........................	44,117,000	-2,016,000
Subtotal..............		-11,325,000
Net Change............		+13,458,000

[1/] Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Salaries and Expenses

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. Postsecondary education	Department of Education Organization Act, P. L. 96-88, Section 205 (20 U.S.C 3415)	Indefinite	Indefinite
2. Other education programs	P. L. 96-88, Sections 204, 206, 207, 209, 210 (20 U.S.C. 3414, 3416, 3417, 3419, 3420)	Indefinite	Indefinite
3. Civil rights	P. L. 96-88, Section 203 (20 U.S.C. 3413)	Indefinite	Indefinite
4. Inspector General	P. L. 96-88, Section 212 (20 U.S.C. 3422)	Indefinite	Indefinite
5. Executive direction	P. L. 96-88, Section 202 (20 U.S.C. 3412)	Indefinite	Indefinite
Total authorization....................		Indefinite	Indefinite

Salaries and Expenses

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation 1/
1978	$220,098,000	$214,709,000	$214,709,000	$214,709,000
1979	238,269,000	237,628,000	237,628,000	237,628,000
1980	237,136,000	213,191,000	231,191,000	213,191,000
1981	244,181,000	238,882,000	240,879,000	240,879,000
1982	255,017,000	243,834,000	216,774,000	216,624,000
1983	222,000,000	222,000,000	222,000,000	222,000,000
1984	238,382,000	232,968,000	198,053,000	230,000,000
1985	243,505,000	241,075,000	241,500,000	241,075,000
1985 Rescission	-3,648,000	---	---	---
1986	224,157,000	224,157,000	225,867,000	225,867,000
1986 Sequester	-9,713,000			
1987	295,755,000 2/			

1/ Reflects enacted supplementals and rescissions.

2/ Includes activities formerly financed in Office for Civil Rights ($38,185,000) and Office of the Inspector General ($16,378,000).

Office for Civil Rights

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation [1]
1978	$42,317,000	$30,737,000	$30,081,000	$30,081,000
1979	42,245,000	43,238,000	43,238,000	44,245,000
1980	45,847,000	45,847,000	45,847,000	45,847,000
1981	46,915,000	46,915,000	46,915,000	46,915,000
1982	49,396,000	47,604,000	46,915,000	45,038,000
1983	44,868,000	44,868,000	44,868,000	44,868,000
1984	42,058,000	42,058,000	49,936,000	44,396,000
1985	42,633,000	42,633,000	45,000,000	45,000,000
1985 Rescission	-541,000	---	---	---
1986	44,181,000	44,181,000	45,000,000	44,580,000
1986 Sequester	-1,876,000			
1987	--- [2]			

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[1] Reflects enacted supplementals.

[2] Activities financed in this account in 1986 are proposed for financing in Salaries and Expenses in 1987.

Office of the Inspector General

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation [1]
1982	$12,989,000	$12,989,000	$11,464,000	$11,435,000
1983	12,840,000	12,840,000	12,840,000	12,840,000
1984	14,395,000	12,989,000	12,989,000	12,989,000
1985	15,312,000	15,312,000	15,312,000	15,312,000
1986	15,281,000	15,281,000	15,312,000	15,312,000
1986 Sequester	-658,000			
1987	--- [2]			

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[1] Reflects enacted suplementals.

[2] Activities financed in this account in 1986 are proposed for financing in Salaries and Expenses for 1987.

NOTE -- The Inspector General activity was financed in Salaries and Expenses prior to 1982.

Salaries and Expenses

Significant Items in Congressional Appropriations Reports

Item	Action taken or to be taken
1986 House Report	
ADP Costs Study	
The Committee requests that the Department expedite its studies, and complete work on its ADP plan and report to the Committee.	The Department provided the Committee the report in March of 1985. A more detailed report will be provided at the time of the 1987 budget hearing.
College Cluster	
The Committee directs the Department to provide $250,000 for the College Cluster program in 1985.	The Department has negotiated with the Committee and the recipients, and agrees to provide $50,000 in 1986.
1986 Senate Report	
The Committee directs the Secretary to explain the rationale for hiring former high-salaried employees.	This explanation has been provided to the Senate on two occasions prior to December 31, 1985 and can be provided again.

Salaries and Expenses

Account Summary

	1985	1986	1987
1. Postsecondary education..	$80,035,000	$82,606,000	$88,124,000
2. Other education programs.	58,390,000	56,107,000	64,047,000
3. Civil Rights.............	45,000,000	42,704,000	38,185,000
4. Inspector General........	15,312,000	14,654,000	16,378,000
5. Executive direction......	105,025,000	86,226,000	89,021,000
Total budget authority...	303,762,000	282,297,000[1]	295,755,000
(Total obligations)......	(299,737,000)[2]	(282,359,000)[3]	(295,755,000)
Full-time equivalent employees - workyears)....	4,828	4,473[4]	4,451

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[1] Reflects a reduction of $12,247,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

[2] Reflects a lapse of $4,254,000 under Section 515 of the Treasury-Postal Service Appropriations Act, 1985.

[3] Reflects a lapse of $945,000 under Section 515 of the Treasury-Postal Service Appropriations Act, 1986. Because that amount must be placed in reserve, it cannot be obligated and will lapse.

[4] Reflects a reduction of 104 FTE pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Note: Obligations exclude reimbursable amounts.

Salaries and Expenses is proposed as a merged administrative account to enhance managerial flexibility, and prevent overruns or underruns in the three existing accounts. It provides the funding and staffing for the administration of 130 programs and 16 program and staff offices. It covers the salaries and related expenses of all of the Department's employees except the Indian Eduction employees (49 FTE, $2.3 million). The funds in this account provide for personnel compensation, benefits, travel, rent, communications, utilities, printing, automatic data processing (ADP), contracted services, equipment, supplies, and other services.

Salaries and Expenses

Account Summary

Coverage of the Account

The 1987 budget policy affects the composition and coverage of this account as well as the dollar levels of support. This budget proposes merging three existing accounts for salaries and expenses purposes into one account.

The Office for Civil Rights and the Office of the Inspector General would be financed as activities under the Salaries and Expenses account rather than as separate accounts. This change will simplify the Department's account structure by providing one account where there are now are three. It will improve the Secretary's flexibility to manage resources by making reprogrammings possible in situations that now require a change in law. Inasmuch as the Department submits reprogrammings to the Appropriations Committees of the Congress for their approval, there would continue to be ample opportunity for congressional oversight.

The merged Salaries and Expenses account is proposed to have five activities, including those for "Civil rights" and "Inspector General." The additional activities are designed to improve the display and increase the amount of budget information, to bring the Department of Education's display of its Salaries and Expenses account in line with other agencies, and to differentiate the resource needs of program offices from those of the staff and supporting offices.

The proposed appropriation language contains an earmark provision to establish a minimum funding level for the Office of the Inspector General to help assure the independence of the financial resources of that office. This kind of earmarking was recommended by the Comptroller General in his September 26, 1984, report on "Impact of Administrative Budget Procedures on Independence of Offices of the Inspector General."

The funds to administer Indian education programs will continue to be treated as an activity of Indian Education account which is reviewed by the Interior appropriations subcommittees. There are 49 FTE and $2.3 million provided for Indian Education program administration.

The 1987 budget proposes to finance in the Salaries and Expenses account certain administrative expenses previously paid on a reimbursable basis from the Guaranteed Student Loans and Student Financial Assistance accounts. Also, administrative expenses of the College Housing Loans program and Higher Education Facilities Loans and Insurance program would be transferred to this account in 1987. The purpose of these changes is to assure that all administrative support expenses are included in the Salaries and Expenses account and are not budgeted in program accounts. These changes would essentially complete the series of changes approved by the Congress in recent years and achieve a clear and uniform separation of administrative funds from those used for program purposes. The changes are important in managing administrative resources and in providing complete and correct cost data for evaluating the productivity of the Department's management and administration activites.

Salaries and Expenses

Account Summary

1987 Budget Proposal

The 1987 budget request for Salaries and Expenses is proposed at a level higher than the 1986 appropriation. Significant changes include a requested increase of $6.2 million to finance the 1987 phase of a major study of student financial aid recipients and $3 million due to increased office space rental rates set by GSA. An increase of $300,000 is requested for the Pell Grant integrated processing system, which is expected to produce savings in future years. An additional $900,000 is required for Guaranteed Student Loan processing in 1987.

The 1987 budget policy for Salaries and Expenses is to continue the funding of a staff adequate in size to administer all Department programs efficiently and effectively and to provide the necessary equipment, facilities, and services to support that staff but to reduce funds as part of Government-wide initiatives. Even though the 1987 request is $13,458,000 above the 1986 postsequestration level, there are significant savings in the area of personnel compensation and benefits where a net reduction of 22 employees saves $724,000, and where an intiative to reduce the proportion of employees who are at the GS 11-15 levels saves $1.8 million, for a total employment related reduction of $2.5 million. The 1987 reductions are planned to be accomplished through attrition.

Continuation of 1986 savings made under Section 515 of the Treasury-Postal Service Appropriations Act accounts for an additional $945,000 savings. Under the merged account, there is a net reduction of 22 FTE from the 1986 level of 4,473 to 4,451 FTE in 1987. Staffing of the Office for Civil Rights will decrease by 20 FTE in 1987 from 860 FTE in 1986 based on improved efficiency in operations. Staffing for the Inspector General will increase by 21 FTE from the 1986 level of 279 to 300 FTE based on workload.

The 1987 Salaries and Expenses budget reflects other management improvement initiatives in addition to the FTE employment reduction. One such initiative is the reduction of office space for Federal workers. The 1987 request for standard level user charges (SLUC) is predicated on average office space holdings of 856,000 square feet, or 186 square feet per employee. Our 1985 usage was approximately 187 square feet per employee. This is a reduction of approximately 61,000 square feet, or 7 percent, from our actual 1985 holdings.

Another Administration management improvement initiative is the continued reduction in the number of employees in grades 11 through 15. This is accomplished through attrition and by hiring at a lower grade, job restructuring, management and organizational improvements, and revisions in promotion and career ladder policies. Partial effects of this initiative are reflected in the Detail of Permanent Positions included in this document.

Salaries and Expenses

Supplemental fact sheet

Summary of full-time equivalent employment

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Office of Postsecondary Education.......	1,116	1,021	1.035
Other Education Programs:			
Office of Elementary and Secondary Education..................	210	197	200
Office of Bilingual Education and Minority Languages Affairs........	48	46	48
Office of Special Education and Rehabilitative Services..............	418	394	400
Office of Vocational and Adult Education............................	117	108	110
Office of Educational Research and Improvement......................	460	419	430
Subtotal, Other Education Programs......	1.253	1,164	1.188
Office for Civil Rights................	913	860	840
Office of the Inspector General.........	304	279	300
Executive Direction:			
Office of the Secretary.................	49	46	42
Office of the Under Secretary...........	53	47	47
Secretary's Regional Representatives...	110	105	80
Office of the General Counsel...........	99	103	103
Office of Intergovernmental and Interagency Affairs.............	72	52	52
Office of Legislation..................	63	25	26
Office of Management....................	661	594	572
Office of Planning Budget and Evaluation.......................	116	152	144
Advisory Councils.......................	19	25	22
Subtotal, Executive Direction...........	1,242	1,149	1,088
Total.......................	4.828	4,473	4,451

Salaries and Expenses

Supplemental Fact Sheet

Full-Time Equivalents (Staff Years)

	1985 actual			1986			1987				
	FTP	Other	Total	FTP	Other	Total	FTP	Other	Total	Change from 198	Change from 1986
Postsecondary education	977	139	1,116	1,000	21	1,021	1,016	19	1,035	(81)	14
Other education programs	1,126	127	1,253	1,141	23	1,164	1,167	21	1,188	(65)	24
Civil rights	892	21	913	847	13	860	827	13	840	(73)	(20)
Inspector General	301	3	304	276	3	279	298	2	300	(4)	21
Executive direction	1,090	152	1,242	1,095	54	1,149	1,037	51	1,088	(154)	(61)
Total, S&E	4,386	442	4,828	4,359	114	4,473	4,345	106	4,451	(377)	(22)

Salaries and Expenses

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1. Postsecondary Education
   (Department of Education Organization Act, Public Law 96-88,
   Section 205 (20 U.S.C. 3415))

1987 Authorization: Indefinite

Budget Authority:

	1986			
	Appropriation	After Sequestering	1987	Increase or Decrease
Postsecondary education (Total obligations)....	$85,335,000	$82,606,000	$88,124,000	+$5,518,000
(Full-time equivalent employees - workyears).	1,035	1,021	1,035	+14

Purpose and Method of Operation

The Office of Postsecondary Education (OPE) is responsible for the administration of student financial aid and other higher education programs that are designed to:

- Provide financial assistance to eligible students enrolled in postsecondary education institutions;
- Improve postsecondary education facilities and programs through the provision of financial support to eligible institutions, as well as improve the delivery of postsecondary education;
- Recruit and prepare disadvantaged students for the successful completion of postsecondary education programs;
- Promote the domestic study of foreign languages and international affairs and support international educational research and exchange activities;
- Collect on defaulted student loans and outstanding facilities loans.

The Office of Postsecondary Education (OPE), headed by a Presidential appointee, consists of the Immediate Office of the Assistant Secretary with 62 FTE and three major organizational components. Student Financial Assistance Programs, with 466 FTE in headquarters and regional offices, manages student assistance grant and loan programs. The Debt Collection and Management Assistance Service organized in 1985, with 310 FTE, manages all debt collection for student financial assistance and college housing loans and facilities loan programs. Most of its staff is assigned to the

Purpose and Method of Operation -- Continued

Atlanta, Chicago and San Francisco regional offices. Higher Education Programs, with 197 FTE, administers a variety of categorical grants and programs addressing domestic and international education.

Accomplishments

In the area of student aid, the Office of Postsecondary Education administers programs which provided almost $9 billion in awards in 1985. In 1986, these amounts are estimated to decrease to $7.9 billion.

During 1985, OPE released its loan collections employees hired under special authority and now relies completely on private sector contract collectors. The volume of delinquent and defaulted Guaranteed Student Loans (GSL) and National Direct Student Loans (NDSL) collected in 1985 increased by 2.5 percent from 1984 for total collections of $92.5 million. It is anticipated that collections will increase significantly to $116 million in 1986 because the Internal Revenue Service will begin to offset income tax refunds to repay defaulted loans.

During 1985, a new Pell grant application form was developed to separate applications of students who are independent of parental support from those who are dependent, inasmuch as different income eligibility rules apply to the two classes of applicants. Providing such a "split" application form shows promise of reducing errors in determining eligibility and, thus, savings of program funds. The actual split form was procured during 1986 for use in processing applications for the upcoming 1986-87 academic year. Developmental costs of printing the form and programming the application processing system to utilize the split form data were incurred in 1986.

The Higher Education Programs staff administered approximately 25 programs costing approximately $487 million in 1985. In 1986, the appropriation level is expected to decrease to approximately $255 million for 9 programs.

1987 Budget Proposal

The Postsecondary Education budget request is an increase of $5.5 million from the 1986 level after sequestering required by P.L. 99-177.

The budget request reflects an increase of 14 full-time equivalents (FTE) from the 1986 reduced level and an increase of $1.2 million in personnel compensation and benefits. The $36.7 million requested for personnel compensation and benefits reflects the Government-wide initiative to reduce the proportion of employees in grades 11 through 15.

Salaries and Expenses

1. Postsecondary education

1987 Budget Proposal -- Continued

The budget proposal reflects an increase of $473.000 in travel for program monitoring.

The 1987 OPE printing request of $3,996,000 is $96,000 less than in 1986. This decrease is based on one-time development costs of the Pell Grant split application form in 1986, which will not recur in 1987 even though costs for format changes and page volume associated with the Pell Grant split form will continue.

The OPE activity utilizes 87 percent of the Department's Salaries and Expenses automatic data processing (ADP) budget in 1987. The principal ADP costs are for Pell Grant application processing and Guaranteed Student Loans and National Direct Student Loans data services.

Pell Grant Processing

In 1987, there are five groups of Pell Grant application processing contracts, including a central Pell application processing contract for $14 million, three contracts relating to an alternate application method which will cost $5.9 million, a Pell Grant disbursement contract for $1.7 million, a Pell alternate disbursement system contract for $1.6 million and a Pell Grant data preparation contract for $2.7 million.

In 1984, the central Pell application processing contracts were awarded for three 22-month processing cycles beginning in October of one fiscal year and extending through July of the following fiscal year. The contracts were charged to the fiscal year in which the processing cycle began. The last processing cycle, awarded in fiscal year 1986, will finish in July of fiscal year 1987. An additional interim Pell processing cycle contract will be awarded in FY 1987 to process applications for the 1988-89 school year until the new Pell integrated system is in place.

An explanation of costs for the Pell Grant program contracts for 1985, 1986 and 1987 is provided in a supplementary fact sheet.

In 1987, OPE will begin an effort to reduce Pell application processing costs by implementing an integrated system which will combine all Pell program contracts except the alternate application processing contracts into a single contract that will include an improved, flexible, reduced cost processing system. It is estimated that the use of the integrated system will result in lower processing costs in 1988 and subsequent years than the continued use of the separate projects. The 1987 request reflects start-up and developmental costs of $300.000 for the Pell Grant integrated system to be accomplished in five yearly phases beginning in 1988.

Salaries and Expenses

1. Postsecondary education

1987 Budget Proposal -- Continued

GSL/NDSL Information Processing

Another large ADP cost to the Office of Postsecondary Education is $10 million for Guaranteed Student Loans and National Direct Student Loans data services. This contract provides computer and support services to process information from the millions of transactions involved in the GSL/NDSL programs. In 1986, costs increased by $1.7 million, due to expansion to assist in IRS refund offsets for collection of defaulted student loans and to improve other collection efforts. The 1987 budget includes an increase of $900,000 to cover volume increases arising from mandatory subrogation of guarantee agency loans and to cover the costs of converting data from the current contractor to the new contract resulting from a new competitive procurement late in 1986.

The estimated funding by object class for the years 1985-1987, and an analysis of changes for Postsecondary Education are included in this section.

SUPPLEMENTAL FACT SHEET

Pell Grant Program Contracts
(in millions)

Pell Grant Program Contracts	1985	1986	1987
Central Application Processing Contract	$9.3	$13.2	$14.0
Alternate Application Processing Contracts (3)	5.4	5.9	5.9
Central Disbursement System	1.5	1.5	1.7
Alternate Disbursement System	1.0	.9	1.6
Pell Grant Data Preparation	2.4	2.8	2.7
Integrated System	.0	.0	.3
Total Pell Contracts	19.6	24.3	26.1

Central Application Processing Contract

Provides for processing of individual student applications on the Federal application form and for related services including corrections, eligibility determination, and notification of applicants. This "parent" contract also provides a central point for transmission of application and eligibility information to institutions for those applicants who use the alternate application system. In 1986, the average cost for processing and all related services was $5.50 per application.

Alternate Application Processing (3 contracts)

These contracts, with the College Scholarship Service of the College Board, the American College Testing Program, and the Pennsylvania Higher Education Assistance Agency, provide an alternate application method to the Federal application form. The application is made on forms supplied by the respective contractor, which enables the student to apply for State or institutional aid awarded on the basis of the contractor's needs analysis service at the same time as applying for a Pell grant. The same single form can also be used to apply for campus-based Federal aid programs (Supplemental Educational Opportunity Grants, College Work-Study, and National Direct Student Loans). The advantage to the applicant is simplicity. Application data for the Pell programs is transmitted by these "multiple data entry" contractors to the central processing contractor for eligibility determination and notification to the applicant. Approximately 60 percent of Pell applications are processed through these three contracts. In 1986, the average cost to the Federal Government of processing an application by this method was $1.50. However, this is only part of the job. The remaining tasks are performed by the central application processor, the costs of which are borne by that contract.

Central Disbursement System

Most institutions participating in the Pell Grant program receive grant payments from the Government and credit them to the students' tuition charges. The actual disbursements are made through letters of credit, Treasury checks, or electronic transfers. This system sorts payment data between those institutions which accept grant payments from the Government and those who do not, and initiates payment action to them by preparing check schedules to be sent to the Treasury for action and letters of credit for signature and issuance by the Department. The bulk of Pell Grant funds are disbursed through this system. The work is done by Departmental employees and by the Department's computing center. The contract provides computer programming of annual changes in formulas and payment factors and for maintenance of the system during operations.

Alternate Disbursement System

This contract serves those students whose institutions do not accept payment from the Government. The contractor prepares check schedules for transmission to the Treasury and makes related reports to the Department. The Treasury issues and mails the checks directly to the students. The increased costs in 1987 are for phase-out of the old system and incorporation into the integrated system.

Pell Grant Data Preparation

This system serves as the central receiving point for all Pell Grant payment information. Utilizing optical reading equipment this system converts Pell Grant information from paper reports to magnetic computer tapes which feed into both of the Department's Pell disbursement systems. In 1986, costs were approximately $0.80 per application including all associated costs.

Integrated System

This new system will consolidate the central application processing, program monitoring and disbursement, alternate disbursement system, and data preparation contracts into an integrated system to be obtained from a single vendor. The three alternate application processing contracts will be maintained separately.

Salaries and Expenses

Supplemental fact sheet

Postsecondary Education

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Full-time equivalent of full time permanent positions......	977	1,000	1,016
Full-time equivalent of all other positions................	139	21	19
Total compensable workyears......	1,116	1,021	1,035
Personnel Compensation:			
FTP Positions....................	31,607	30,782	31,964
PTT and FTT Positions............	1,469	632	585
Other Personnel Compensation.....	681	477	492
Special Personnel Services Payments.............	45	0	0
Subtotal, Personnel Compensation.................	33,803	31,891	33,041
Personnel Benefits...............	3.807	3,600	3,663
Benefits for Former Personnel....	65	0	0
Travel/ Transport of People......	1,109	627	1,100
Transportation of Things.........	69	32	62
Standard Level User Charges......	0	0	0
Communications, Utilities, and Other Rent................	647	399	399
Printing and reproduction........	3,114	4,092	3,996
Other services...................	37.079	41,780	45,605
Supplies and materials...........	284	173	228
Equipment........................	58	12	30
Budget Authority by Object......	80,035	82,606	82,124

NOTE: 1985 BA by Object includes $1972.5 thousand held in reserve under Section 515 of the Treasury-Postal Service Appropriations Act.

Salaries and Expenses

SUPPLEMENTAL FACT SHEET

Analysis of Changes to Postsecondary Education

1986 Estimate	$85,335,000
1986 Sequester order	-2,729,000
Total estimated 1986 budget authority	$82,606,000
1987 Request	$88,124,000
Net Change	+5,518,000

	1986 base 1/	Change from base
Increases:		
Built in:		
1. Within-grade increases for GS employees, merit pay increases for GM employees and career ladder promotions	$35,491,000	+925,000
Program:		
1. Increase of Salaries and Benefits for 14 additional full-time equivalent staff	35,491,000	+492,000
2. Increase in Salaries for employee awards to improve motivation and reward performance	447,000	+15,000
3. Additional Travel for increased program monitoring	627,000	+473,000
4. Increase in Transportation of Things for employee transfers and shipping equipment	32,000	+30,000
5. Increase in Other Services for GSL and NDSL processing required by volume increases and new contract	9,100 000	+900,000
6. Increase in Other Services for College Housing Loan servicing contract which was paid from unobligated balances in the College Housing Loans account in 1986	---	+370,000

Salaries and Expenses

SUPPLEMENTAL FACT SHEET

Analysis of Changes to Postsecondary Education - continued

Increases: Program:	1986 base 1/	Change from base
7. Increase in Other Services for credit bureau referrals of NDSL defaulters. This activity was paid from unobligated balances in the Student Financial Assistance account in 1986.............	---	+$108,000
8. Increase in Other Services for expenses of field readers.......................	$411,000	+417,000
9. Increase in Other Services for creation of new collections filing system in support of GSL and NDSL................	---	+750,000
10. Increase in Other Services for contract to devise measures to reduce NDSL default rate...........................	---	+200,000
11. Increase in Other Services for student financial assistance contracts.........	875,000	+107,000
12. Increase in Other Services to cover new Pell Grant program requirements....	24,300.000	+1 584,000
13. Increase in Other Services to cover start-up and development costs for Pell integrated system	---	+300,000
14. Increase in Other Services for support by central computer facility to cover volume increases.........................	34,137,000	+114,000
15. Increase in Supplies to support operations	173,000	+55,000
16. Increase in Equipment....................	12,000	+18,000
Subtotal..........................		+6,858,000

Salaries and Expenses

SUPPLEMENTAL FACT SHEET

Analysis of Changes to Postsecondary Education - continued

	1986 base[1/]	Change from base
Decreases:		
Built in:		
1. Decrease in Printing reflecting one-time development costs for Pell Grant split application form in 1986.......	$4,092,000	-96,000
2. Decrease in Other Services for non-recurring development costs in 1986 for IRS tax refund offset..........	3,365,000	-865,000
Program:		
1. Savings in Salaries and Benefits from reduction in proportion of grades 11-15 employees.....................	35,491,000	-219,000
2. Decrease in Other Services for reductions in ADP services and contracts...........................	41,780,000	-150,000
3. Decrease in Other Services for Higher Education Facilities Loans and Insurance program servicing contract..	100,000	-10,000
Subtotal...........................		-1,340,000
Net change........................		+5,518,000

[1/] Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Salaries and Expenses

2. Other education programs
(Department of Education Organization Act, Public Law 96-88, Sections 204, 206, 207, 209, 210 (20 U.S.C. 3414, 3416, 3417, 3419, 3420))

1987 Authorization: Indefinite

Budget Authority:

	1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
Other education programs..............	$56,684,000	$56,107 000	$64,047,000	+$7,940 000
Full-time equivalent positions - workyears...	1,182	1,164	1,188	+24

Purpose and Method of Operation

The Other Education Programs activity finances the following program offices:

- o Office of Elementary and Secondary Education (OESE);
- o Office of Bilingual Education and Minority Languages Affairs (OBEMLA);
- o Office of Special Education and Rehabilitative Services (OSERS);
- o Office of Vocational and Adult Education (OVAE); and
- o Office of Educational Research and Improvement (OERI).

These offices are responsible for the administration of all programs not under the Office of Postsecondary Education.

Accomplishments

In 1985, the five offices funded under this activity were responsible for approximately 92 programs with a combined appropriation of approximately $9.0 billion. The award of the funds was made through approximately 7,300 grants and 429 contracts. Over 18,000 grant applications were received and more than 1,248 grant monitoring visits were made.

1987 Budget Proposal

The Other Education Programs request is for $64,047,000, an increase of $7,940,000 from the 1986 level after sequestration. Approximately 78 percent of this increase, or $6,200,000, is for the second year of funding the OERI contract for the student aid survey to increase data collection and analysis activities. This large-scale survey, involving a nationally-representative

Salaries and Expenses

2. Other education programs

1987 Budget Proposal -- continued

sample, will produce accurate and comprehensive information on the effects of financial aid programs to asist in planning and budgeting for those programs. Initial work started in 1986 and an estimated $3.1 million will be required in 1988.

Full-time equivalent employment for this activity will increase by 24 approximate increase of $1,069,000. In addition, the within-grade increases for GS employees, merit pay GM employees and career ladder promotions, will increase by $618,000. Personnel compensation and benefits will decrease by $547,000 for the planned reduction in the proportion of employees in grades 11 through 15.

Travel for site visits for program monitoring, will increase by an additional $463,000 over the 1986 level.

The estimated funding by object class for the years 1985-1987, and an analysis of changes for Other Education Programs, are included in this section.

Salaries and Expenses

Supplemental fact sheet

Other Education Programs

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Full-time equivalent of full time permanent positions......	1,126	1,141	1,167
Full-time equivalent of all other positions................	127	23	21
Total compensable workyears......	1,253	1,164	1,188
Personnel Compensation:			
FTP Positions....................	45,048	45,454	46,549
PTT and FTT Positions............	3,792	910	842
Other Personnel Compensation.....	432	306	321
Special Personnel Services Payments..............	34	0	0
Subtotal, Personnel Compensation..................	49,306	46,670	47,712
Personnel Benefits...............	5,384	5,139	5,252
Benefits for Former Personnel....	3	0	0
Travel/ Transport of People......	1,213	894	1,357
Transportation of Things.........	19	4	7
Standard Level User Charges......	7	0	0
Communications, Utilities, and Other Rent................	44	7	7
Printing and reproduction........	180	265	254
Other services...................	2,036	2,969	9,258
Supplies and materials...........	184	158	200
Equipment........................	15	0	0
Budget Authority by Object......	58,390	56,107	64,047

Salaries and Expenses

SUPPLEMENTAL FACT SHEET

Analysis of Changes to Other Education Program

1986 Estimate	$57,684,000
1986 Sequester order	-1,577,000
Total estimated budget authority	56,107,000
1987 Request	64,047,000
Net change	+7,940,000

	1986 base 1/	Change from Base
Increases:		
Built in:		
1. Within-grade increases for GS employees, merit pay increases for GM employees, and career ladder promotions	$51,503,000	+$618,000
Program:		
1. Increase in Salaries and Benefits for 24 additional full-time equivalent staff	51,503,000	+1,069,000
2. Increase awards to improve employee motivation	264,000	+15,000
3. Additional travel to increase monitoring of programs	894,000	+463,000
4. Increase in Transportation of Things due to higher usage	4,000	+3,000
5. Increase in Other Services for the for student aid survey in OERI to increase data collection and analysis	900,000	+6,200,000
6. Increase in Other Services to cover costs of outside field readers	1,374,000	+196,000
7. Increase in Other Services for ADP services deferred in 1986	404,000	+28,000
8. Increase in Supplies for purchases deferred in 1986	158,000	+42,000
Subtotal		+8,634,000

Salaries and Expenses

SUPPLEMENTAL FACT SHEET

Analysis of Changes to Other Education Programs - continued

	1986 base[1]	Change from base
Decreases:		
Programs:		
1. Savings in Salaries and Benefits from reduction in proportion of employees in grades 11-15..............................	$51,503,000	-$547,000
2. Decrease in Printing due to decreased usage......................	265,000	-11,000
3. Decrease in Other Services for non-recurring contracts in 1986..........	282,000	-136,000
Subtotal...............		-694,000
Net Change.............		+7,940,000

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[1] Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Salaries and Expenses

Supplemental Fact Sheet

Office of Elementary and Secondary Education

Role and Responsibilities

The Assistant Secretary for Elementary and Secondary Education serves as principal adviser to the Secretary on all matters related to elementary and secondary education. The Office administers programs designed to:

- Assist State and local educational agencies to improve the educational achievement of elementary and secondary students and to assure equal access to services leading to such improvements for all children, particularly children who are economically or otherwise disadvantaged, Alaskan Native, American Indian, or children of migrant workers.
- Strengthen the management capabilities of State educational agency personnel and foster educational improvement at the State and local level.
- Provide financial assistance to local educational agencies whose enrollments are adversely affected by Federal installations and activities.
- Assist State and local education agencies in the process of school desegregation.
- Assist elementary and secondary school teachers in improving the quality of their teaching.
- Improve education in the areas of mathematics and science.
- Provide grants to local educational agencies (LEAs) for use in establishing or operating magnet schools.

Organization and Staffing

The Office of Elementary and Secondary Education (OESE) consists of the Immediate Office of the Assistant Secretary, with one Presidential appointee, the Management Operations Unit and the Policy, Planning and Executive Operations Unit reporting directly to the Assistant Secretary (27 FTE). Under the Assistant Secretary there are four program offices: the Office of Migrant Education (22 FTE), Compensatory Education Programs (50 FTE), State and Local Education Programs (101 FTE), and Indian Education Programs (49 FTE). It should be noted that although this office has responsibility for supervising Indian education programs, the funding for both the administration and program activities is under a separate appropriation and is not included above. The staffing of OESE paid from this account in 1987 is 200 FTE.

Salaries and Expenses

Supplemental Fact Sheet

Office of Elementary and Secondary Education - continued

Organization and Staffing - continued

The Office of Elementary and Secondary Education awarded and administered 16 formula and block grants to State and local school districts, totaling approximately $5.1 billion in 1985.

Principal Items of Cost

Approximately 92 percent of the OESE administrative budget is devoted to personnel compensation and benefits. The travel conducted by this office is for program and compliance reviews associated with site visits, adminstrative law hearings for Impact Aid, and assessments of school districts suffering from natural disasters.

In addition, the budget for other services includes contracts for adminstrative law judges and stenographic services associated with hearings for the Impact Aid programs, field readers, and ADP services.

An object class summary of budget authority for fiscal years 1985-1987 is on the following page.

1987 Budget Proposal

The 1987 budget proposes to eliminate the following programs: Women's Educational Equity, Impact Aid B Payments, General Assistance to the Virgin Islands, Ellender Fellowships, Follow Through, High School Equivalency Programs for Migrants, and College Assistance Migrant program. These program eliminations will not significantly decrease workload until 1988 or beyond, due to the continuatiuon of existing formula and block grants and other awards. The staffing estimate of 200 FTE for 1987 reflects an increase of 3 over the reduced 1986 level in order to provide for an adequate level of program administration and monitoring.

The budget request for personnel compensation and benefits reflects a reduction resulting from the Government-wide initiative to reduce the proportion of employees in grades 11 through 15.

The budget includes an increase of $112,000 in travel to provide for increased site visits for program monitoring above the level possible in 1986.

Except for the policies noted above, there is no change in budget policy from 1986 to 1987.

Salaries and Expenses

Supplemental fact sheet

Office of Elementary and Secondary Education

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	210	197	200
Personnel Compensation:			
FTP Positions....................	8,079	7,843	7,949
PTT and FTT Positions............	205	121	123
Other Personnel Compensation.....	83	58	61
Special Personnel Services Payments..............	4	0	0
Subtotal, Personnel Compensation..................	8,372	8,022	8,133
Personnel Benefits...............	902	876	868
Benefits for Former Personnel....	0	0	0
Travel/ Transport of People......	453	305	417
Transportation of Things.........	0	0	0
Standard Level User Charges......	6	0	0
Communications, Utilities, and Other Rent................	0	0	0
Printing and Reproduction........	26	21	21
Other Services...................	427	275	354
Supplies and Materials...........	29	20	25
Equipment........................	0	0	0
Budget Authority by Object......	10,215	9,519	9,818

Salaries and Expenses

Supplemental Fact Sheet

Office of Bilingual Education and Minority Language Affairs

Roles and Responsiblities

The Director of the Office of Bilingual Education and Minority Languages Affairs serves as the principal adviser to the Secretary on matters related to the education of persons of limited proficiency in English and of minority language populations. The Office directs, coordinates, and recomends policy for programs that are designed to:

- Increase and promote improvements in educational services, including State and local education services, and in curricular materials for persons of limited proficiency in English and for minority language populations.
- Collect and disseminate information about bilingual education and related programs and activities.
- Strengthen the capabilities of institutions of higher education and other related agencies to provide bilingual education training courses.
- Provide financial assistance to persons who are preparing to become trainers of bilingual education teachers.

Organization and Staffing

The Office of Bilingual Education and Minority Languages Affairs (OBEMLA), consists of the Immediate Office of the Director, with a congressionally mandated research unit (12 FTE), the Management, Planning, and Policy Staff (5 FTE) and two program divisions: the Division of State and Local Programs (20 FTE) and the Division of National Programs (11 FTE). The total FTE in 1987 for this office is 48.

Principal Items of Cost

The office of Bilingual Education and Minority Languages Affairs administered 4 programs, totaling approximately $169 million in 1985, serving persons of limited proficiency in English. Over 90 percent of the budget is for personnel compensation and benefits. The other major cost items are for travel to monitor and provide technical assistance to grantees, and for field readers.

An object class summary of budget authority for fiscal years 1985-1986 is included in this section.

Salaries and Expenses

Supplemental Fact Sheet

Office of Bilingual Education and Minority Langauges Affairs - continued

1987 Budget Proposal

The budget proposal for this office reflects an increase of 2 FTE to return staffing to the 1985 level of 48 FTE.

The budget request for personnel compensation and benefits reflects an incerease for 2 FTE as well as a reduction resulting from the Government-wide initiative to reduce the proportion of employees in grades 11 through 15.

The reduction of $36,000 in field reader costs under "Other Services" is part of a Department-wide initiative to maximize the use of Federal employees as field readers, conduct evaluations by mail, and allow qualified experts the opportunity and prestige to contribute to this process without compensation.

Except for the policies noted above, there is no change in budget policy from 1986 to 1987.

Salaries and Expenses

Supplemental fact sheet

Office of Bilingual Education and Minority Languages Affairs

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	48	46	48
Personnel Compensation:			
FTP Positions....................	1,609	1,761	1,829
PTT and FTT Positions............	178	36	39
Other Personnel Compensation.....	19	14	14
Special Personnel Services Payments..............	0	0	0
Subtotal, Personnel Compensation..................	1,806	1,811	1,882
Personnel Benefits...............	218	198	206
Benefits for Former Personnel....	0	0	0
Travel/ Transport of People......	67	74	60
Transportation of Things.........	0	0	0
Standard Level User Charges......	0	0	0
Communications, Utilities, and Other Rent.................	0	0	0
Printing and Reproduction........	4	4	4
Other Services...................	150	159	124
Supplies and Materials...........	4	3	4
Equipment........................	0	0	0
Budget Authority by Object......	2,248	2,249	2,300

Salaries and Expenses

Supplemental Fact Sheet

Office of Special Education and Rehabilitative Services

Role and Responsibilities

The Assistant Secretary for Special Education and Rehabilitative Services serves as the principal adviser to the Secretary on all matters related to special education and rehabilitative services. The Office directs, coordinates, and recommends policy for programs that are designed to:

- Meet the needs and develop the full potential of handicapped children through the provision of special educational programs and services.
- Reduce the dependency and enhance the productive capabilities of handicapped persons through the provisison of independent living programs and vocational rehabilitative services.
- Increase knowledge about, foster innovation in, and improve the delivery of services for handicapped persons through the performance of rehabilitative and special education research and demonstration activities.
- Disseminate information about services, programs, and laws affecting handicapped persons.

Organization and Staffing

The Office of Special Education and Rehabilitative Services (OSERS), is headed by a Presidential appointee and consists of the Immediate Office of the Assistant Secretary (11 FTE) and three subordinate units. Within the Immediate Office there is a Correspondence Control Unit (6 FTE), a Planning and Management Staff (12 FTE) and an External Affairs Staff (5 FTE). The three subordinate units are: the National Institute of Handicapped Research (NIHR) (27 FTE), Rehabilitation Services Administration (RSA) (211 FTE), and Special Education Programs (128 FTE). NIHR is headed by a Director, who is a Presidential appointee and RSA is headed by a Commissioner who is also a Presidential appointee. RSA has approximately 60 percent (122 FTE) of its staff in 10 regional offices. The total staffing of OSERS in 1987 is 400 FTE.

This office administered over 26 formula and discretionary grants programs totaling $2.6 billion in 1985 which supported education for the handicapped, rehabilitative services and handicapped research.

Principal Items of Cost

Of the total budget requested for the administration of programs, approximately 92 percent is for salaries and benefits.

Salaries and Expenses

Supplemental Fact Sheet

Office of Special Education and Rehabilitative Services - continued

Principal Items of Cost - continued

Most of the "Other Services" dollars support field readers who review project grant applications relating to the education, training and services for the handicapped. In addition, there are contract funds to conduct arbitrations under the Randolph-Sheppard vending facility program. The travel dollars are for site visits for compliance and monitoring.

An object class summary of budget authority for fiscal years 1985-1987 is included on the following page.

1987 Budget Proposal

The budget proposal for this office includes an increase in staffing of 6 FTE from the 1986 level in order to provide adequate program administration and monitoring.

The budget request for personnel compensation and benefits reflects a reduction resulting from the Government-wide initiative to reduce the proportion of employees in grades 11 through 15.

Travel will increase $58,000 in order to provide increased site visits for program monitoring. Printing decreases because of non-recurring projects in 1986. Other Services will increase by $11,000 to cover costs of field readers to evaluate project grant proposals. Funding for supplies will increase by $12,000 to support 6 additional FTE and to replenish depleted stocks.

Except for the policies noted above, there is no change in budget policy from 1986 to 1987.

Salaries and Expenses

Supplemental fact sheet

Office Special Education and Rehabilatative Services

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	418	394	400
Personnel Compensation:			
FTP Positions.....................	15,459	15,044	15,350
PTT and FTT Positions............	466	247	197
Other Personnel Compensation.....	106	75	79
Special Personnel Services Payments..............	0	0	0
Subtotal, Personnel Compensation..................	16,030	15,366	15,626
Personnel Benefits...............	1,767	1,712	1,740
Benefits for Former Personnel....	0	0	0
Travel/ Transport of People......	305	277	335
Transportation of Things.........	18	2	3
Standard Level User Charges......	0	0	0
Communications, Utilities, and Other Rent.................	27	4	4
Printing and Reproduction........	56	97	86
Other Services...................	1,017	848	973
Supplies and Materials...........	60	41	53
Equipment........................	4	0	0
Budget Authority by Object......	19,283	18,347	18,820

Salaries and Expenses

Supplemental Fact Sheet

Office of Vocational and Adult Education

Role and Responsibilities

The Assistant Secretary for Vocational and Adult Education serves as the principal adviser to the Secretary on Departmental matters related to vocational and adult education. The Office administers, coordinates, and recommends policy for programs that are designed to:

- Prepare students for employment through vocational education;
- Increase adult learning;
- Promote coordination among programs and activities of vocational and adult education;
- Improve the quality of vocational and adult education through research and demonstration of exemplary educational practices;
- Ensure the equal access of minorities, women, handicapped, and disadvantaged persons to vocational and adult education;
- Provide a unified Federal approach to vocational and adult education in rural areas.

In addition, the Office has liasion responsibility on special project task force groups, e.g., Youth Employment, National Occupational Information Coordinating Committeee, and interagency and intergovernmental agencies ensuring regional cooperation.

Organization and Staffing

The Office of Vocational and Adult Education (OVAE) is headed by a Presidential appointee and consists of two staff offices and three program divisions.

The Administrative Services Staff (2 FTE) has primary responsibility for providing services related to the OVAE operating budget, financial and management analysis, contracts and grants, general services, and computer-based word processing systems.

The Policy and Analysis Staff (8 FTE) has primary responsibility for the areas of policy analysis, development of legislative and regulatory documents, and the preparation and dissemination of program information.

Salaries and Expenses

Supplemental Fact Sheet

Office of Vocational and Adult Education - continued

Organization and Staffing - continued

There are three divisions: Innovation and Development (39 FTE), Adult Education Services (18 FTE), and Vocational Education Services (43 FTE). The total staffing in 1987 for this office is 110 FTE.

The Division of Innovation and Development has four branches which administer and act as principal program advisers on all the national discretionary programs in vocational and adult education.

The Division of Adult Education Services has four branches which have overall responsibility for providing a broad range of services for the education of adults throughout the country and for promoting the development of adult education.

The Division of Vocational Education Services has four branches. They provide national leadership and advisory services to the States in instructional program areas, planning systems, special support services and program evaluation; and serve as principal program advisers to the Assistant Secretary on vocational education matters.

The Office of Vocational and Adult Education administered 9 programs of formula and discretionary grants and contracts totaling $944 million in 1985.

Principal Items of Cost

Approximately 97 percent of the budget request for OVAE is for salaries and benefits. The other major cost items are for travel and field readers.

An object class summary of budget authority for fiscal years 1985-1987 is included on the following page.

1987 Budget Proposal

The budget proposal for this office reflects an increase of 2 FTE from the 1986 level in order to provide an adequate level of program administration and grant monitoring.

The budget request for personnel compensation and benefits reflects a reduction resulting from the Government-wide initiative to reduce the proportion of employees in grades 11 through 15.

Travel will increase 41% for increased site visits and Other Services by $61,000 for estimated increase in proposals requiring field reader review.

Except for the policies noted above, there is no change in budget policy from 1986 to 1987.

Salaries and Expenses

Supplemental fact sheet

Office Vocational and Adult Education

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	117	108	110
Personnel Compensation:			
FTP Positions....................	4,496	4,312	4,389
PTT and FTT Positions............	92	40	40
Other Personnel Compensation.....	44	32	34
Special Personnel Services Payments..............	13	0	0
Subtotal, Personnel Compensation..................	4,645	4,384	4,463
Personnel Benefits...............	515	487	496
Benefits for Former Personnel....	0	0	0
Travel/ Transport of People......	115	81	114
Transportation of Things.........	1	2	2
Standard Level User Charges......	0	0	0
Communications, Utilities, and Other Rent................	2	2	2
Printing and Reproduction........	6	5	5
Other Services...................	42	29	90
Supplies and Materials...........	22	16	20
Equipment........................	0	0	0
Budget Authority by Object......	5,347	5,007	5,192

Salaries and Expenses

Supplemental Fact Sheet

Office of Educational Research and Improvement

Role and Responsibilties

The Assistant Secretary for Educational Research and Improvement serves as the principal adviser to the Secretary on educational research. practice, statistics, and dissemination of information to improve the quality of education. The Office performs the following functions:

- Supports high quality, fundamental research at every institutional level of education on such topics as the process of teaching and learning, school organization and improvement, the content of education, and factors that contribute to (or detract from) excellence in education.
- Collects and analyzes data on the present condition of education, projects educational trends, and makes such information available to those who need it in an accurate, reliable and usable form.
- Supports projects initiated at the State and local levels which promise to improve teaching and learning in the schools and colleges and improve dissemination of information and research findings about successful educational practices.
- Administers the Federal Government's categorical grant programs for public and research libraries.

Organization and Staffing

In 1985 the Office of Educational Research and Improvement (OERI) was reorganized. The plan was implemented at the start of 1986. OERI, headed by a Presidential appointee, consists of the Immediate Office of the Assistant Secretary which includes the Operations Staff and the Policy and Planning Staff (34 FTE), and five program offices: Office of Research (83 FTE); Center for Statistics (132 FTE); Programs for the Improvement of Practice (86 FTE); Information Services (74 FTE); and Library Programs (21 FTE). The total staffing for this office in 1987 is 430 FTE.

Principal Items of Cost

In 1985, OERI administered funds for research, statistical, and library program activities totaling approximately $185 million. In 1987, one major cost is for a national survey of postsecondary student aid. Begun as a field test in early 1986, the survey will provide data on the distribution of financial aid. the nature of aid packages, and profiles of aid recipients and non-recipients. The data will be used to project student aid program costs and to analyze the impact of policy changes on student enrollment and financing.

Salaries and Expenses

Supplemental Fact Sheet

Office of Educational Research and Improvement - continued

Principal Items of Cost - continued

Approximately 70 percent of OERI's salaries and expenses budget is in support of personnel compensation and benefits. Another major cost item is for site visit and information travel.

An object class summary of budget authority for fiscal years 1985-1987 is included on the following page.

1987 Budget Proposal

The budget proposal for this office includes an increase of 11 FTE from the 1986 level, to return staffing to the 1986 level before sequestration.

The budget request for personnel compensation and benefits reflects a reduction resulting from the Government-wide initiative to reduce the proportion of employees in grades 11 through 15.

Under "Other Services" $7.1 million is included for the second year of funding of a student financial aid survey, an increase of $6.2 million from the 1986 level. This is a large-scale survey of student aid recipients and nonrecipients which is designed to provide accurate and comprehensive information on the effect of financial aid programs. Such information is not now available but is needed for program evaluation, planning, and budgeting. The survey involves a representative national sample. In 1986, a pilot study tested survey data collection forms and techniques, and the first steps of actual data collection were taken. In 1987 there will be further data collection and the beginning of data analysis. Funding for the third year and final year, now estimated at $3.1 million, will be included in the 1988 budget.

Travel will be increased by $254,000 for additional monitoring activities and site visits.

Except for the policies noted above there is no change in budget policy from 1986 to 1987.

Salaries and Expenses

Supplemental fact sheet

Office of Educational Research and Improvement

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	460	419	430
Personnel Compensation:			
FTP Positions....................	15,405	16,494	17,032
PFT and FTT Positions............	2,851	466	443
Other Personnel Compensation.....	180	127	133
Special Personnel Services Payments..............	17	0	0
Subtotal, Personnel Compensation..................	18,453	17,087	17,608
Personnel Benefits...............	1,963	1,866	1,922
Benefits for Former Personnel....	3	0	0
Travel/ Transport of People......	274	157	411
Transportation of Things.........	0	0	2
Standard Level User Charges......	1	0	0
Communications, Utilities, and Other Rent................	15	1	1
Printing and Reproduction........	69	138	138
Other Services...................	401	1,658	7,717
Supplies and Materials...........	65	78	98
Equipment........................	10	0	0
Budget Authority by Object......	21,257	20,985	27,897

Salaries and Expenses

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3. Civil rights
(Public Law 96-88, Section 203 (20 U.S.C. 3413))

1987 Authorization: Indefinite

Budget Authority:	1986 Appropriation	1986 After Sequestering	1987	Increase or Decrease
Civil rights.........	$44,580,000	$42,704,000	$38,185,000	- $4,519,000
Full-time equivalent positions-workyears	907	860	840	-20

Purpose and Method of Operation

The Office for Civil Rights (OCR) is responsible for the enforcement of laws that prohibit discrimination on the basis of race, color, national origin, sex, handicap, and age in all programs and institutions that receive funds from the Department. Specifically, these laws are:

- Title VI of the Civil Rights Act of 1964 (prohibiting race, color, and national origin discrimination)
- Title IX of the Education Amendments of 1972 (prohibiting sex discrimination)
- Section 504 of the Rehabilitation Act of 1973 (prohibiting handicap discrimination)
- Age Discrimination Act of 1972 (prohibiting age discrimination)

These civil rights laws extend to a wide range of Federal recipients and beneficiaries, including 50 State educational agencies, 16,000 local educational agencies, 3,200 institutions of higher education, 50 State rehabilitation agencies and their subrecipients, as well as other institutions which receive Federal funds, such as libraries. In addition, OCR helps implement civil rights provisions in several Department programs, particularly the Education for All Handicapped Children Act and the Carl D. Perkins Vocational Education Act, and provides technical assistance to recipients, beneficiaries, the public and other organizations in an attempt to obtain voluntary compliance with civil rights laws. The most important factor influencing OCR operations in the immediate past has been the application of a combined consent decree resulting from lawsuits brought by civil rights groups during the past decade alleging inadequate enforcement of the civil rights laws. The Order is commonly known as the Adams Order.

Purpose and Method of Operation - continued

The Assistant Secretary for Civil Rights provides overall policy and management direction and supervision to three services, two staffs and ten regional offices through two Deputy Assistant Secretaries. The OCR headquarters organization is comprised of 169 full time equivalent staff. The 10 regional offices are comprised of 671 full time equivalent staff. The Assistant Secretary serves as principal civil rights adviser to the Secretary of Education.

Accomplishments

The Office for Civil Rights implemented a number of management efficiencies during 1985 including:

(1) improved and expanded management information systems,
(2) development of a policy codification system, and
(3) development and delivery of major training courses to headquarters and regional staff.

During FY 1986, OCR will continue to use two operational techniques designed to improve the efficiency of the case handling process. The first, Early Complaint Resolution (ECR), is a process designed to encourage voluntary resolution of complaints before an investigation. During FY 1985, ECR was offered in 238 complaints and accepted in 138 complaints (58 percent). Of those cases in which ECR was offered and accepted, 101 (73 percent) were resolved through mediation, that is the complainant and recipient reached a mutually satisfactory agreement, and the complaint was withdrawn. OCR is not a party in the resolution agreement reached through ECR.

The second technique is the pre-letter of findings (LOF) settlement. With this process OCR reviews its findings with the recipient on each of the issues raised in the complaint or covered by the compliance reviews in an attempt to reach a settlement prior to the issuance of a LOF addressing areas of noncompliance. If a settlement is reached, OCR sets forth the terms of the settlement along with the applicable statutory requirements in the LOF. OCR then monitors the implementation of the settlement.

Compliance and Enforcement Activities

OCR's compliance and enforcement responsibilities are divided into three general categories: complaint investigations, compliance reviews, and monitoring activities.

-- Complaint Investigation

OCR's primary compliance activity is the investigation and resolution of complaints alleging discrimination. Each timely, complete complaint must be resolved in accordance with established procedures and time frames.

Accomplishments - continued

To improve the effectiveness of OCR's provision of technical assistance to States with major deficiencies in their vocational education MOA compliance programs, OCR continued a review designed to identify implementation techniques and strategies that have contributed to successful compliance programs in the various States. Information gathered from this project will serve as a valuable technical assistance resource to OCR's regional offices in assisting States with major deficiencies.

Under the Adams court order, OCR is required to monitor implementation of desegregation plans developed by State systems of higher education.

o Technical Assistance Activities

Technical assistance complements OCR's compliance activites. Through technical assistance, OCR is able to reach a far greater number of recipients and beneficiaries, than it could reach solely through complaints investigations or compliance reviews.

In 1986, OCR plans to conduct the following technical assistance activities:

Continue development and implementation of Memoranda of Understanding with State and human rights agencies to facilitate meeting mutual civil rights compliance goals and objectives and to promote the sharing of information.

Coordinate with other ED program offices on the provision of civil rights related technical assistance.

Facilitate the exchange of information, materials, technical assistance strategies, techniques, and successful compliance practices and procedures among OCR staff providing technical assistance.

Provide materials and courses to OCR regional investigators and legal staff to facilitate the provision of technical assistance training to education institutions and State and local government.

Provide training to State and local education agencies to enhance their capabilities to carry out civil rights activities.

Prepare materials for dissemination to recipients and beneficiaries, summarizing and explaining OCR policies and regulations.

Accomplishments - continued

During FY 1985, OCR received 2,199 complaints and closed 2,040 cases, 94 (or 5 percent) more than in FY 1984. (Some of these complaints had been filed prior to the beginning of the fiscal year.) OCR had 1,009 open complaints as of September 30, 1985. The bases for the alleged discrimination in complaints received were as follows: 48 percent were based on handicap; 14 percent on race; 14 percent on sex; 3 percent on national origin; and 2 percent on age. Eleven percent were for a combination of bases for the alleged discrimination (e.g., race and sex). The remaining 8 percent were for alleged bases for which OCR did not have jurisdiction.

Of the complaints received, 59 percent involved elementary and secondary schools; 33 percent involved postsecondary schools; 3 percent involved vocational rehabilitation agencies; and the remaining 5 percent involved other institutions, only some of which received Federal financial assistance from the Department. Seventy-seven percent alleged discrimination in delivery of services, while most of the remainder alleged discrimination in employment. During 1985, OCR handled a total of 29 administrative proceedings in various stages of litigation at the trial and appeal level. Of the 29, 2 were initiated during FY 1985 and 9 were settled by the recipient institution agreeing to take appropriate remedial action to alleviate the violations found by OCR.

-- Compliance reviews

Compliance reviews are directed at recipients of education funds who do not appear to be in conformance with the civil rights requirements. The reviews address patterns and practices of discrimination and complements OCR's complaint investigation activities. Compliance reviews differ from complaint investigations in that OCR has some discretion in selecting the issues and institutions for review. This permits OCR to target resources on compliance problems that appear to be serious or national in scope and that may not have been raised by complaints.

During 1985, OCR initiated compliance reviews of 273 recipients. During this same period, OCR closed 301 reviews, 80 more than in 1984, (Some of those closed had been initiated prior to the beginning of FY 1985.) OCR had 119 open compliance reviews as of September 30, 1985.

While some review activities are required by the Adams court order, OCR has flexibility to choose the institutions to be investigated,

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Accomplishments - continued

the issues to be examined, and the dates on which the reviews will begin. Selection of review sites has, traditionally, been based on various sources of information, including survey data indicating potential compliance problems and information provided by complainants, interest groups, the media, and the general public. In order to provide greater flexibility in the targeting of institutions and to help validate OCR's current targeting methods, OCR initiated a random site selection program for compliance reviews in some regional offices during 1984. The data gathering phase of the experiment ended at the close of FY 1985, having run the entire fiscal year. This experiment was designed to determine the relative effectiveness of a statistically random compliance review site selection compared with the traditional form of site selection in which regions nominate sites based on criteria set forth by the Assistant Secretary. The experiment called for five regions to select randomly compliance review sites. Of the five, two regions employed random site selection for 100 percent of their compliance reviews. Three of the five regions employed random site selection for 50 percent of their selection and traditional methods for the remainder. The remaining five regions employed traditional compliance review site selection techniques for all reviews. The analysis phase of the random site selection program for compliance reviews is continuing. The traditional compliance review site selection techniques are now being utilized by all regions.

-- Monitoring Activities

OCR closes many of the complaints and compliance reviews in which it has identified violations of civil rights statutes on the basis of a commitment by the recipient institution to complete remedial action at a future date. OCR has a responsibility to ensure that agreements to complete such remedial actions are carried out. During 1985, OCR closed 203 complaints and 178 compliance reviews that require monitoring of remedial plans. In addition, during 1985, OCR monitored the Methods of Administration (MOA) of 61 State vocational education programs for compliance with OCR's 1979 Vocational Education Guidelines and offered technical assistance to States or conducted compliance reviews, as appropriate. OCR established new procedures for the 1985 MOA cycle to ensure timely review and notification regarding the results of OCR's evaluation of the States' annual reports. A vocational education Methods of Administration seminar was conducted for 31 employees to assist them in evaluating States' annual vocational education civil rights compliance reports.

Salaries and Expenses

Supplemental fact sheet

Civil Rights

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Full-time equivalent of full time permanent positions......	892	847	827
Full-time equivalent of all other positions................	21	13	13
Total compensable workyears......	913	860	840
Personnel Compensation:			
FTP Positions....................	29,299	27,730	27,224
PTT and FTT Positions............	433	433	433
Other Personnel Compensation.....	407	276	276
Special Personnel Services Payments..............	0	0	0
Subtotal, Personnel Compensation..................	30,140	28,439	27,933
Personnel Benefits...............	3,372	3.194	3,155
Benefits for Former Personnel....	93	0	0
Travel/ Transport of People......	920	825	801
Transportation of Things.........	16	16	16
Standard Level User Charges......	2,814	2,342	2,839
Communications, Utilities, and Other Rent.................	1,585	1,494	1,494
Printing and reproduction........	25	25	25
Other services...................	5,457	6,079	1,632
Supplies and materials...........	211	175	175
Equipment........................	368	115	115
Budget Authority by Object......	45,000	42,704	38,185

NOTE: 1985 BA by Object includes $420 thousand held in reserve under Section 515 of the Treasury-Postal Service Appropriations Act.

NOTE: 1986 BA by Object includes $945 thousand held in reserve under Section 515 of the Treasury-Postal Service Appropriations Act.

Salaries and Expenses

SUPPLEMENTAL FACT SHEET

Analysis of Changes to Civil Rights

1986 Estimate	$44,580,000
1986 Sequester order	1,876,000
Total estimated budget authority	42,704,000
1987 Request	38,185,000
Net change	-4,519,000

	1986 Base 1/	Change from Base
Increases:		
Built in:		
1. Within-grade step increases (for GS) and merit pay increases (for GM) and career ladder promotions	$31,633,000	+$420,000
2. Increase in Standard level user charge rates by GSA for rental of space	2,342,000	+497,000
Program:		
1. Increase in Other Services for equipment repair and maintenance	229,000	+21,000
Subtotal		+938,000
Decreases:		
Program:		
1. Reduced Salaries and Benefits due to decrease of 20 FTE	31,633,000	-596,000
2. Reduced Salaries and Benefits due to initiative to reduce the proportion of grade 11-15 employees in the Federal workforce	31,633,000	-369,000
3. Decrease in Travel for discretionary activities	825,000	-24,000
4. Decrease in Other Services required from other agencies	3,533,000	-3,323,000
5. Decrease in Other Services for training	50,000	-3,000
6. Decrease in Other Services for building renovations	110,000	-10,000

Salaries and Expenses

SUPPLEMENTAL FACT SHEET

Analysis of Changes to Civil Rights - continued

	1986 base[1/]	Change from base
Decreases:		
Program:		
7. Decrease in Other Services to reflect consultant services reduced by Section 515 of Treasury-Postal Service Appropriations Act........	$1,257,000	-$945,000
8. Decrease in Other Services for ADP service contracts resulting from completion of civil rights surveys in 1986..................	900,000	-187,000
Subtotal............		-5,457,000
Net change..........		-4,519,000

[1/] Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Salaries and Expenses

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4. Inspector General
(Public Law 96-88, Section 212 (U.S.C. 3422))

1987 Authorization: Indefinite

Budget Authority:

	1986			
	Appropriation	After Sequestering	1987	Increase or Decrease
Inspector General.....	$15,312,000	$14,654,000	$16,378,000	+$1,724,000
Full-time equivalent positions-workyears..	285	279	300	+21

Purpose and Method of Operation

The Office of the Inspector General (OIG) has authority to inquire into all program and administrative activities of the Department and related activities of all parties performing under contracts, grants, or other agreements with the Department. These inquiries may be through audits, investigations, or other appropriate measures. OIG promotes economy and efficiency in the administration of the Department's programs and operations, and prevents and detects fraud, waste and abuse. As such, OIG does not administer any programs directly.

The Office of the Inspector General (300 FTE) is organized as follows:

- The Immediate Office (8 FTE), is headed by the Inspector General who, by law, has the responsibilty for providing policy direction for conducting, supervising and coordinating audits and investigations relating to the operations and programs of the Department.
- The Office of Policy, Planning and Management Services (26 FTE), headed by an Assistant Inspector General, provides policy, planning, and management services to the Office and various office-wide functions which cut across both the audit and investigations areas and functions mandated by the Congress related tot he prevention and detection of fraud.
- Office of Audit (198 FTE) is headed by an Assistant Inspector General for Audit who, by law, has the responsibility for supervising the performance of audit activities relating to programs and operations of the Department.
- Office of Investigations (68 FTE) is headed by an Assistant Inspector General for Investigations who, by law, has the responsibility for supervising the performance of investigative activities relating to Department programs and operations.

Salaries and Expenses

4. Inspector General

Accomplishments

In 1985, the OIG issued or processed 3,524 non-Federal audit reports, 106 program audits, 40 pre-award audits, 53 audits of Departmental contracts, 14 internal audits, and provided technical assistance in 132 cognizant assignments under the Office of Management and Budget Circular A-128. These reports recommended disallowances of $68.8 million and have resulted in recoveries of $12.3 million. In addition, recommendations included in these reports if implemented, would result in more efficient use of funds totaling $13.7 million.

In 1985, 894 investigations and inquiries were completed. The investigations which substantiated criminal wrongdoing resulted in the referral of 381 cases to prosecutors. Of the 381 cases referred, 258 were accepted and 123 were declined. Additionally, OIG investigations led to 171 indictments and 159 convictions. The total dollar impact derived from investigation activities in 1985 was: fines, $51,025; restitutions, $651,577; recoveries, $1,890,366; savings, $269,149; and civil judgments, $480,000.

A total of 167 complaints were closed in FY 1985. Of the number of complaints closed, 40 were substantiated and resulted in corrective action by the Department.

1987 Budget Proposal

The 1987 request is for $16,378,000, an increase of $1,724,000 from the 1986 appopriation after sequestering required by P.L. 99-177. Inspector General staffing for 1987 is 300 FTE, an increase of 21 FTE from 1986. This represents a decrease of 4 FTE from 1985.

In 1985, the Office of the Inspector General used 304 staff workyears (FTE) and that number was funded in the budget request for 1986. However, increases in office space rental charges, telecommunications costs, and computer-related leases and services required the OIG to limit employment to 285 FTE. The sequester of funds required by P.L. 99-177 further reduced the amount of funds available and staffing is now being limited to 279 FTE. The increase in staffing is based on projected workload in conducting audits of internal systems, auditing the state guarantee agencies, and carrying out the requirements of the Single Audit Act. Of this increase, 19 FTE will be assigned to the Office of Audit and 2 FTE will be assigned to the Office of Investigation.

The fiscal year 1987 budget strategy addresses a continuing efort to provide adequate and appropriate coverage of the Department's programs and operations. The OIG developed a comprehensive audit universe, with audit cycles and FTE

Salaries and Expenses

4. Inspector General

1987 Budget Proposal - continued

cycles and FTE requirements, which lists all the various program activities and recipients that require audit coverage based on dollar sensitivity to fraud, waste and mismanagement.

OIG's expenses are all for administrative services. Approximately 77 percent of the budget request is for personnel compensation and benefits to provide an efficient and effective staff to conduct audits and investigations.

Projected increases for 1987 include: personnel compensation and benefits costs of $918,000 to fill 21 critical vacancies; office space rent (Standard Lever User Charge) of $262,000 due to GSA rate increases; a $193,000 increase in necessary travel to conduct audits identified in the audit work plan; a $145,000 increase for communications, utilities, mail and other rentals and projected decreases of $38,000 in interagency and reimbursables services due to a decrease in the use of audit services provided by Defense Contract Audit Agency (DCAA) anb Health and Human Services (HHS); a $51,000 decrease in benefits for former personnel and decrease in supplies due to one-time purchases in 1986 related to ADP software. The budget request for personnel compensation and benefits reflects a reduction resulting from the Government-wide initiative to reduce the proportion of employees in grade 11 through 15.

The estimated funding by object class for fiscal years 1985-1987, as well as an analysis of changes for OIG, are included in this section.

Impact Data	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Non-Federal audit reports processed..................	3,524	3,500	4,500
Program audits..............	106	115	120
Pre-award audits.............	40	40	40
Audits of Departmental contracts..................	53	47	25
Internal audits..............	14	25	25
A-128 cognizant assignments for technical assistance....	132	132	163
Cases and inquires closed....	894	900	950
Complaints center-cases closed.....................	167	180	180

Salaries and Expenses

Supplemental fact sheet

Inspector General

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Full-time equivalent of full time permanent positions......	301	276	298
Full-time equivalent of all other positions................	3	3	2
Total compensable workyears......	304	279	300
Personnel Compensation:			
FTP Positions....................	10,919	10,372	11,205
PTT and FTT Positions............	246	95	65
Other Personnel Compensation.....	128	60	90
Special Personnel Services Payments..............	0	0	0
Subtotal, Personnel Compensation..................	11,293	10,527	11,380
Personnel Benefits...............	1,287	1,165	1,338
Benefits for Former Personnel....	10	51	0
Travel/ Transport of People......	851	757	950
Transportation of Things.........	3	4	4
Standard Level User Charges......	990	944	1,206
Communications, utilities, and Other Rent.................	457	945	1,030
Printing and reproduction........	20	20	20
Other services...................	370	181	280
Supplies and materials...........	44	50	50
Equipment........................	48	10	60
Budget Authority by Object......	15,372	14,654	16,318

Salaries and Expenses

SUPPLEMENTAL FACT SHEET

Analysis of Changes to Inspector General

1986 Estimate	$15,312,000
1986 Sequester order	-658,000
Total estimated budget authority	14,654,000
1987 Request	16,378,000
Net Change	+1,724,000

	1986 base	Change in base
Increases:		
Built in:		
1. Within-grade increases (for GS) and merit pay increases (for GM) and career-ladder promotions	$11,632,000	+$194,000
2. Increase in Standard Level User Charge rates charged by the General Services Administration	944,000	+262,000
Program:		
1. Salaries and Benefits for 21 additional full-time equivalent staff	11,632,000	+918,000
2. Increases in Salaries for awards to improve employee motivation and reward work performance	35,000	+30,000
3. Additional Travel due to increases in auditing	757,000	+193,000
4. Increase in Communications, Utilities, and Other Rental for penalty mail to offset partial payment of 1986 charges from unobligated balances in accounts of expired programs	25,000	+57,000
5. Increase in Communications, Utilities, and Other Rent for rental of ADP equipment for audit tracking system	512,000	+88,000
6. Increase in Other Services for training related to additional staff and to improve performance of continuing staff	42,000	+18,000

Salaries and Expenses

SUPPLEMENTAL FACT SHEET

Analysis of Changes to Inspector General - continued

	1986 base	Change in base
Increases:		
Programs:		
7. Increase in Other Services for equipment repair deferred in 1986..........	$20,000	+$5,000
8. Increase in Other Services for building renovations deferred from 1986 and to support office space reduction..................................	---	+100,000
9. Increase in Other Services for ADP services to support audit tracking and investigations....................	56,000	+14,000
10. Increase in ADP Equipment for field use by auditors deferred from 1986....	---	+50,000
Subtotal.......		+1,929,000
Decreases:		
Built-in:		
1. Decrease in Benefits for former personnel for severance pay not required in 1987........................	51,000	-51,000
Program:		
1. Decrease in Personnel Compensation and Benefits from reducing proportion of grade 11-15 employees.................	11,632,000	-116,000
2. Decrease in Other Services for audit services required from other agencies.	58,000	-38,000
Subtotal......................		-205,000
Net Change....................		+1,724,000

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5. Executive direction
(Department of Education Organization Act, Public Law 96-88, Section 202 (20 U.S.C. 3412)

1987 Authorization: Indefinite

Budget Authority:

	1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
Executive direction..	$91,633,000	$86,226,000	$89,021,000	+$2,795,000
Full-time equivalent positions-workyears..	1,168	1,149	1,088	-61

Purpose and Method of Operation

The Executive Direction activity finances the following offices:

- Office of the Secretary;
- Office of the Under Secretary;
- Secretary's Regional Representatives;
- Office of the General Counsel;
- Office of Intergovernmental and Interagency Affairs;
- Office of Legislation;
- Office of Management; and
- Office of Planning, Budget and Evaluation.

Executive direction also funds the Department's advisory councils and common support expenses.

These offices provide overall policy, management, and administrative services for the Department. Their functions include policy development and guidance, strategic planning, development and support of legislative initiatives, budget formulation and execution, program evaluation, legal services, congressional and public relations, intergovernmental affairs, financial management and accounting, and provision of administrative support services in such areas as automatic data processing, personnel, procurement, and office space management.

Accomplishments

One of the Secretary's most important accomplishments in 1985 was leadership in stimulating discussion of education reforms. Though not always related to the Department's grant, loans, and contracts programs, this leadership role has contributed to worthwhile improvements in education. Examples include: Follow-up to the National Commission on Excellence in Education, and related studies; speeches, appearances, and discussions about non-

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Accomplishments -- Continued

programmatic issues where the Administration has a strong interest, such as the quality of education, drop-outs, school prayer, discipline, illiteracy, partnership with industry, tuition tax credits, and judicial cases or civil rights.

Without damage to any of these efforts, the FTE level in Executive Direction will decrease in 1986. This was achieved through internal consolidation of functions, as in the case of procurement staff, now one unit in the Office of Management. More recently, the public affairs function was removed from the former Office of Legislation and Public Affairs and the administrative budget function from the Office of Management; both for combination with similar functions in the Office of Planning, Budget and Evaluation.

1987 Budget Proposal

The 1987 request is for $89,021,000, an increase in budget authority of $2,795,000 from the 1986 appropriation after sequestering.

This increase is attributable primarily to the increases in Standard level user rates for office space and telephone service imposed by GSA. Together these fixed rate increases total $2,471,000.

Significant savings, however is achieved in salaries and benefits totally $2,612,000. This decrease is due to reduction in overhead staff by 61 FTE.

A summary of budget authority by object class and a complete analysis of changes from 1986 to 1987 follow.

Salaries and Expenses

Supplemental fact sheet

Executive Direction

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Full-time equivalent of full time permanent positions......	1,090	1,095	1,037
Full-time equivalent of all other positions................	152	54	51
Total compensable workyears......	1,242	1,149	1,088
Personnel Compensation:			
FTP Positions....................	39,119	38,687	36,088
PTT and FTT Positions............	3,463	1,920	1,972
Other Personnel Compensation.....	1,133	723	743
Special Personnel Services Payments..............	63	0	0
Subtotal, Personnel Compensation..................	43,778	41,330	38,803
Personnel Benefits...............	5,202	5,077	4,992
Benefits for Former Personnel....	398	116	116
Travel/ Transport of People......	1,080	679	1,043
Transportation of Things.........	39	28	51
Standard Level User Charges......	13,892	14,719	17,104
Communications, Utilities, and Other Rent................	13,328	8,926	11,677
Printing and reproduction.......	1,004	562	667
Other services...................	22,875	14,258	13,563
Supplies and materials...........	981	442	565
Equipment........................	2,448	90	420
Budget Authority by Object......	105,025	86,226	89,021

NOTE: FY 1985 BA by Object includes $1861 thousand held in reserve under Section 515 of the Treasury-Postal Service Appropriations Act.

Salaries and Expenses

SUPPLEMENTAL FACT SHEET

Analysis of Changes to Executive Direction

1986 Estimate	$91,633,000
1986 Sequester order	-5,407,000
Total estimated budget authority	86,226,000
1987 Request	89,021,000
Net change	-2,795,000

	1986 base 1/	Change from base
Increases:		
Built in:		
1. Increase in Standard level user charge rates for office space rental imposed by GSA	$14,719,000	+$2,385,000
2. Within-grade increases for GS employees, merit pay increases for GM employees, and career-ladder promotions	46,407,000	+562,000
3. Increase in Communications for telephone service to meet increased GSA cost estimates	4,914,000	+86,000
Program:		
1. Increase for consultant Salaries necessitated by increase in advisory council meetings	973,000	+56,000
2. Increase in awards to improve and reward employee motivation and performance	381,000	+20,000
3. Increase in Communications for penalty mail to offset payment of part of 1986 charges from unobligated balances in accounts of expired programs	2,727,000	+3,073,000

Salaries and Expenses

Analysis of Changes in Executive Direction - continued

		1986 base[1]	Change from base
4.	Increased Travel for advisory council meetings, contract monitoring, and leadership functions......................	$679,000	+$364,000
5.	Increase in Transportation of things for increased shipments of equipment, supplies between headquarters and regions, and package delivery................	28,000	+23,000
6.	Increase in Printing for publications of regulatory documents in Federal Register and for finance and reporting manuals deferred from 1986......................	562,000	+105,000
7.	Increase in Other services for training deferred from 1986.....	280,000	+420,000
8.	Increase in Other services to repair equipment formerly rented but owned in 1987........	586,000	+73,000
9.	Increase for Supplies to replenish stock and make purchases deferred from 1986....	442,000	+143,000
10.	Increase in Equipment to purchase ADP equipment rented in 1986 and other equipment deferred from 1986..............	90,000	+330,000
	Subtotal...........		+7,640,000

Salaries and Expenses

Analysis of Changes in Executive Direction - continued

	1986 base[1/]	Change in base
Decreases:		
Built in:		
1. Decrease in Other services for building renovations because of non-recurring work done in 1986.	853,000	-46,000
2. Reduction in Communications, utilities, and other rent by discontinuing ADP rentals.......	410,000	-410,000
3. Decrease in Other services resulting from non-recurring ADP services and other contracts in 1986.........................	9,835,000	-1,046,000
Program:		
1. Savings in Salaries and benefits from reduction in excess overhead (61 FTE).......................	46,406,000	-2,687,000
2. Savings in Salaries and benefits through reduction in proportion of grade 11 through 15 employees..	46,406,000	-561,000
3. Decrease in Other services because of reduced need for services of other agencies.......	2,703,000	-95,000
Subtotal...............		-4,845,000
Net Change...............		+2,795,000

[1/] Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Salaries and Expenses

Supplemental Fact Sheet

Office of the Secretary

Role and Responsibilities

The Secretary is responsible for the overall direction, supervision, and coordination of all activities of the Department and is the principal adviser to the President on Federal policies, programs, and activities related to education in the United States. The Secretary is the principal representative of the Federal Government to the States, parents, teachers, and others concerned with matters affecting education.

Organization and Staffing

The Office of the Secretary consists of the Immediate Office of the Secretary (36 FTE) and the Office of Private Education (6 FTE). The Immediate Office includes the Secretary and his personal staff (23 FTE) and an administrative support staff (13 FTE) which also serves the Office of the Under Secretary. The Office of Private Education provides information and representation to the private school community and groups in matters concerning Federal education programs and private schools' participation in them. The total staff for this office is 42 FTE.

Principal Items of Cost

The Office of the Secretary does not administer any programs directly. Approximately 83 percent of the total budget is for salaries and benefits. Travel is related to the representational role of the Secretary and the Office of Private Education, which holds meetings and conferences. The Office of Private Education has contract expenses for conferences and analytical studies and papers. Informational materials are printed for distribution to private schools.

An object class summary of budget authority for fiscal years 1985-1987 is on the following page.

1987 Budget Proposal

The budget proposal for this office reflects continuation of current activities for FY 1987 with a reduction of 4 FTE to be achieved through attrition.

The increase in Travel will allow the Secretary and his staff to visit schools and meet with students, teachers, principals and officials in connection with his leadership responsibilities. The increase in other service and supplies will provide the level of administrative support needed in 1987.

Except for the policies noted above, there is no change in budget policy from 1986 to 1987.

Salaries and Expenses

Supplemental fact sheet

Office of the Secretary

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	49	46	42
Personnel Compensation:			
FTP Positions....................	1,465	1,666	1,507
PTT and FTT Positions............	464	55	57
Other Personnel Compensation.....	60	40	41
Special Personnel Services Payments..............	0	0	0
Subtotal, Personnel Compensation..................	1,989	1,761	1,605
Personnel Benefits...............	189	189	172
Benefits for Former Personnel....	0	0	0
Travel/ Transport of People......	90	160	200
Transportation of Things.........	0	0	2
Standard Level User Charges......	0	0	0
Communications, Utilities, and Other Rent................	0	0	0
Printing and Reproduction........	19	10	10
Other Services...................	139	111	120
Supplies and Materials...........	31	17	22
Equipment........................	1	0	0
Budget Authority by Object......	2,458	2,248	2,131

Salaries and Expenses

Supplemental Fact Sheets

Office of the Under Secretary

Role and Responsibilities

This Office, under the leadership of the Under Secretary of Education, assists the Secretary in the discharge of Secretarial duties and responsibilities. The Under Secretary serves as Acting Secretary in the absence of the Secretary.

The Office oversees the operation of the Regional Liaison Staff and the Secretary's Regional Representatives (SRR).

Organization and Staffing

The Office of the Under Secretary, with one Presidential appointee, consists of the Immediate Office of the Under Secretary (12 FTE), the Regional Liaison Staff (4 FTE), the Operations Coordination Staff (8 FTE), the Issues Analysis Staff (7 FTE), and the Executive Secretariat (16 FTE). The total staff for this office is 47 FTE.

The Immediate Office includes the Under Secretary and his personal staff. The Regional Liaison Staff is the principal coordination center for policy, planning and implementation, administrative service, and communication requirements which involve the development and maintenance of effective regional office services to State and local education agencies, organizations, and institutions. The Operations Coordination Staff works closely with the Department's program and staff offices in carrying out the Secretary's decisions and special projects. The Issues Analysis Staff provides strategic planning and analytic studies on educational issues and Departmental inititatives of critical concern to the Administration. The Executive Secretariat is the focal point in the Department for tracking all correspondence and documents flowing to and from the Offices of the Secretary and of the Under Secretary.

Principal Items of Cost

Personnel compensation and benefits constitute about 94 percent of the total costs for this office. Other major cost items are for travel and for supplies. Travel is to allow the Under Secretary and his staff to carry out Departmental and Administration goals and objectives.

An object class summary of budget authority for fiscal years 1985-1987 is included in this section.

Salaries and Expenses

Supplemental Fact Sheets

Office of the Under Secretary - continued

1987 Budget Proposal

The budget proposal for this office reflects continuation of current activities in 1987 and level-of-effort FTE.

The budget request for personnel compensation and benefits reflects the reductions resulting from the Government-wide initiative to reduce the proportion of employees in grades 11 through 15.

Travel increases $10,000 over the 1986 level. The increase in Supplies will provide support needed in 1987.

Except for the policies noted above, there is no change in budget policy from 1986 to 1987.

Salaries and Expenses

Supplemental fact sheet

Office of the Under Secretary

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	53	47	47
Personnel Compensation:			
FTP Positions....................	1,519	1,579	1,648
PTT and FTT Positions............	545	99	36
Other Personnel Compensation.....	86	61	63
Special Personnel Services Payments..............	3	0	0
Subtotal, Personnel Compensation..................	2,154	1,739	1,747
Personnel Benefits...............	212	185	185
Benefits for Former Personnel....	0	0	0
Travel/ Transport of People......	95	95	105
Transportation of Things.........	7	2	5
Standard Level User Charges......	0	0	0
Communications, Utilities, and Other Rent................	2	0	0
Printing and Reproduction........	8	5	5
Other Services...................	196	6	6
Supplies and Materials...........	16	11	14
Equipment........................	0	0	0
Budget Authority by Object......	2,691	2,043	2,067

NOTE: FY 1985 BA by Object includes $10.0 thousand held in reserve under Section 515 of the Treasury-Postal Service Appropriations Act.

Salaries and Expenses

Supplemental Fact Sheet

Secretary's Regional Representatives

Role and Responsibilities

The Secretary's Regional Representatives (SRRs) manage those functions necessary for the dissemination of education information and representation of the Secretary and the Department in the regions. Specific functions performed by the Secretary's Regional Representatives emphasize five interrelated areas of responsibility: congressional, intergovernmental, interagency, inter-office and public affairs. The SRRs also administer the Federal Real Property Assitance Program and the Regional Facilities Engineering Service.

Organization and Staffing

The Secretary's Regional Representatives are organizational units in the Department's 10 regional offices. The total staff requested for this office in 1987 is 80 FTE. These offices coordinate their activities through the Regional Liaison Staff in the Under Secretary's office.

In addition to the SRRs, the Department's regional offices also house staff of the Rehabilitation Services Administration, the Office of Debt Collection and Management Assistance Service (Office of Postsecondary Education), Student Financial Assistance, Office for Civil Rights, and the Office of the Inspector General.

Principal Items of Cost

For the SRRs, personnel compensation and benefits constitute about 93 percent of the total budget. Travel is mostly for regularly scheduled meetings between the SRRs and headquarter officials; some travel, however, is performed to support specific interests of the Secretary in the regions such as the International Youth Year program in 1985. Although the Common Support Expenses budget pays for rent and telecommunication charges, this budget subdivision covers costs of utilities and other rentals of equipment.

An object class summary of budget authority for fiscal years 1985-1987 is included in this section.

1987 Budget Proposal

The budget proposed for this office reflects a staff reduction of 25 FTE: 15 public affairs officers, 5 clerical staff, and 5 administrative support staff. This will eliminate unnecessary functions in the regional offices and further reduce excess overhead. Public affairs responsibilities will be carried out by head-quarters staff.

The budget assumes continuation of activities in all ten regions in 1987.

Salaries and Expenses

Supplemental Fact Sheet

Secretary's Regional Representatives - continued

1987 Budget Proposal - continued

The budget request for personnel compensation and benefits reflects a reduction resulting from the Government-wide initiative to reduce the proportion of employees in grades 11 through 15.

The budget includes an increase of $73,000 in Travel to support a program of regular interactions between regional representatives and local, state and institutional officials who are dealing with the Department's programs.

Except for the policies noted above, there is no change in budget policy from 1986 to 1987.

Salaries and Expenses

Supplemental fact sheet

Secretary's Regional Representatives

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	110	105	60
Personnel Compensation:			
FTP Positions....................	3,432	3,649	2,848
PTT and FTT Positions............	329	71	0
Other Personnel Compensation.....	43	31	32
Special Personnel Services Payments..............	38	0	0
Subtotal, Personnel Compensation..................	3,842	3.751	2,880
Personnel Benefits...............	411	409	313
Benefits for Former Personnel....	32	0	0
Travel/ Transport of People......	269	50	123
Transportation of Things.........	0	0	2
Standard Level User Charges......	0	0	0
Communications, Utilities, and Other Rent................	52	18	18
Printing and Reproduction........	109	40	40
Other Services...................	86	42	37
Supplies and Materials...........	38	24	30
Equipment........................	8	1	3
Budget Authority by Object......	4,847	4,334	3,446

Salaries and Expenses

Supplemental Fact Sheet

Office of the General Counsel

Role and Responsibilities

The Office of the General Counsel serves as the principal adviser to the Secretary on all legal matters affecting Departmental programs and activities. The Office performs the following functions:

- Provides legal advice and services to the Secretary, Under Secretary, and principal officers of the Department.

- Prepares or reviews public documents for legal form and effect, rules and regulations issued by the Department and legal instruments entered into by the Department.

- Represents the Secretary, the Department, or any of its officers or units in court or administrative litigation except for adminstrative proceedings initiated by the Office for Civil Rights.

- Serves as liaison to other Federal agencies in connection with legal matters involving the Department.

- Drafts legislative proposals originating in the Department and reviews the legal aspects of proposed or pending legislation.

- Prepares or reviews pleadings, briefs, memoranda, and other legal documents for proceedings involving the Department or requested by other Government agencies for use in proceedings, except for administrative proceedings initiated by the Office for Civil Rights.

Organization and Staffing

The Office of the General Counsel is headed by a Presidential appointee and consists of the Immediate Office of the General Counsel (13 FTE) and three offices: Departmental Service (31 FTE), Regulations and Legislative Service (22 FTE), and Program Service (37 FTE). The total FTE for this office is 103.

The Departmental Service provides legal assistance to officials concerning business management activities and administrative operations throughout the Department. The Regulations and Legislative Service drafts the Department's legislation, coordinates, review and comments on legislation originating outside the Department, and manages the development of the Department's regulations. The Program Service provides legal advice to the Department's program offices.

Salaries and Expenses

Supplemental Fact Sheet

Office of the General Counsel - continued

Pricipal Items of Cost

Approximately 92 percent of the cost for this office is for salaries and benefits. Printing costs for publishing mandated regulations for the Department account for 4.3 percent of the budget.

An object class summary of budget authority for fiscal years 1985-1987 is included on the following page.

1987 Budget Proposal

The staffing estimate of 103 FTE for FY 1987 reflects no change from the revised 1986 level and is predicated on the continuation of workload from 1986 in providing counseling services, legal advice, and representation for Department officials concerning the administration of programs and grants.

The Office of General Counsel anticipates legal action and workload to continue in 1987 at the 1986 level.

Travel is increasing by $22,000 in order to provide support necessary to carry out litigation and hearings. Staff of this office travels in order to prepare for and appear in courts outside of Washington and in connection with appeals and investigations which require legal advice in the field. There are no general service attorneys in the Department's regional offices and OGC must cover the Department's interests nationwide.

Printing is increasing because it will be necessary to publish in the Federal Register increasing amounts of regulatory proposals arising from new legislation and continued regulation. The amount for Supplies is increasing $9,000. Even with this increase, however, the amount will not rise to the level used in 1985.

The budget request for personnel compensation and benefits reflects a reduction resulting from the Government-wide initiative to reduce the proportion of employees in grades 11 through 15.

Except for the policies noted above, there is no change in budget policy from 1986 to 1987.

Salaries and Expenses

Supplemental fact sheet

Office of the General Counsel

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	99	103	103
Personnel Compensation:			
FTP Positions....................	3,544	3,666	3,643
PTT and FTT Positions............	149	425	455
Other Personnel Compensation.....	105	73	76
Special Personnel Services Payments..............	5	0	0
Subtotal, Personnel Compensation..................	3,803	4,164	4,174
Personnel Benefits...............	402	450	451
Benefits for Former Personnel....	0	0	0
Travel/ Transport of People......	46	24	46
Transportation of Things.........	7	4	6
Standard Level User Charges......	0	0	0
Communications, Utilities, and Other Rent................	5	5	5
Printing and Reproduction........	491	214	294
Other Services...................	4	94	95
Supplies and Materials...........	46	33	42
Equipment........................	2	0	0
Budget Authority by Object......	4,806	4,988	5,113

Salaries and Expenses

Supplemental Fact Sheet

Office of Intergovernmental and Interagency Affairs

Role and Responsibilities

The Office of the Deputy Under Secretary for Intergovernmental and Interagency Affairs is responsible for overall leadership in establishing and directing effective intergovernmental and interagency services for the Department, including communications with a wide variety of intergovernmental, interagency, and public advocacy groups and constituents affected by Department policy, programs and operations. Because of its increased outreach function, this office has added several special initiatives which include: Parental Involvement, and elimination of a backlog of cases pending before Education Appeal Board.

The office performs the following functions:

- Provides leadership, staff resources, and services required by the Intergovernmental Advisory Council on Education (IACE) and the Federal Interagency Committee on Education (FICE).
- Serves as the Department's principal liaison with State and local governments, non-Federal government organizations, various education constituency groups, and other Federal agencies.
- Provides program support for important Administration initiatives.

Organization and Staffing

The Office of Intergovernmental and Interagency Affairs (OIIA), with one Presidential appointee was reorganized in FY 1986 and consists of the Immediate Office of the Deputy Under Secretary and two major components: Intergovernmental Affairs and Interagency Operations.

The Immediate Office of Intergovernmental and Interagency Affairs (11 FTE), which includes the Operations Support Staff and the Intergovernmental Advisory Council Staff, provides overall direction.

Intergovernmental Affairs (19 FTE) includes the Intergovernmental Outreach Staff, the Public Paticipation and the Special Concerns Staff and the Presidential Academic Fitness Awards Staff. Interagency Operations (22 FTE) has six components including the International Affairs Staff, the Office of Education for Overseas Dependents, the Federal Interagency Committee on Education Staff and Interagency Program Staff, Education Appeal Board, Education Appeal Board Staff, and Civil Rights Reviewing Authority. The total staff for this office is 52 FTE.

Salaries and Expenses

Supplemental Fact Sheet

Office of Intergovernmental and Interagency Affairs - continued

Organization and Staffing - continued

The Intergovernmental Advisory Council Staff provides support to the Intergovernmental Advisory Council on Education which is budgeted in the Advisory Council activity. The Office of Education for Overseas Dependents was abolished in 1986 as a consequence of legislation repealing the transfer of the Department of Defense Overseas Dependents' Schools from DOD to ED.

Principal Items of Cost

Approximately 87 percent of the cost for this office is for compensation and benefits. The other major cost is for "Other Services" which includes two contracts to support the use of administrative law judges and travel for the Education Appeal Board and Civil Rights Reviewing Authority and travel for members to hold meetings and hearings resolving audits.

An object class summary of budget authority for fiscal years 1985-1987 is on the following page.

1987 Budget Proposal

The budget proposal for this office reflects continuation of staffing at the revised 1986 level of 52 FTE. The increases of $57,000 in Travel and $42,000 in Other services for contracts are necessary in order to review and resolve promptly Education Appeal Board and Civil Rights Reviewing Authority cases.

The budget request for personnel compensation and benefits reflects a reduction resulting from the Government-wide initiative to reduce the proportion of employees in grades 11 through 15.

Except for the policies noted above, there is no change in budget policy from 1986 to 1987.

Salaries and Expenses

Supplemental fact sheet

Office of Intergovernmental and Interagency Affairs

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	72	52	52
Personnel Compensation:			
FTP Positions....................	2,214	1,885	1,831
PTT and FTT Positions............	548	418	497
Other Personnel Compensation.....	72	51	54
Special Personnel Services Payments..............	1	0	0
Subtotal, Personnel Compensation..................	2,834	2,354	2,382
Personnel Benefits...............	289	255	256
Benefits for Former Personnel....	0	0	0
Travel/ Transport of People......	148	79	136
Transportation of Things.........	0	0	0
Standard Level User Charges......	0	0	0
Communications, Utilities, and Other Rent................	3	1	1
Printing and Reproduction........	208	89	89
Other Services...................	346	88	130
Supplies and Materials...........	30	21	26
Equipment........................	1	0	0
Budget Authority by Object......	3,859	2,887	3,020

Salaries and Expenses

Supplemental Fact Sheet

Office of Legislation

Roles and Responsibilities

The Assistant Secretary for Legislation in concert with the Office of Planning, Budget and Evaluation serves as the principal adviser to the Secretary on matters concerning the Department's legislative program and congressional relations.

The Office performs the following functions:

- o Manages, coordinates, and directs the presentation of the Department's legislative program to the Congress.
- o Coordinates the collection of information, including testimony, to the Congress about the Department policies, programs, and organization and assures the Department's responsiveness to Congressional requests for information.
- o Assists in the implementation of Department programs through the production of articles, Secretary's speeches, official Department statements to the public, and a variety of other written materials and special projects.

Organization and Staffing

The Office of Legislation (OL), which is headed by a Presidential appointee, consists of the Immediate Office of the Assistant Secretary (7 FTE) and the Legislative Affairs Service (19 FTE), which includes the Legislative Policy Staff (6 FTE), the Legislative Liason Staff (4 FTE), and the Congressional Services Staff (7 FTE). This represents a total staff of 26 FTE.

In 1986, a reorganization occurred which transferred the Public Affairs Service and 28 FTE to the Office of Planning, Budget and Evaluation.

Principal Items of Cost

Approximately 90 percent of the cost for this office is for personnel compensation and benefits. The other major cost item is for printing congressional and legislative materials.

An object class summary of budget authority for fiscal years 1985-1987 is included in this section.

Salaries and Expenses

Supplemental Fact Sheet

Office of Legislation - continued

1987 Budget Proposal

The budget proposal for this office reflects an increase of 1 FTE, above the 1986 revised level to adequately support office functions.

The budget request for personnel compensation and benefits reflects a reduction resulting from the Government-wide initiative to reduce the proportion of employees in grades 11 through 15.

There are small increases in Travel, Other services and Supplies to provide adequate support in 1987.

Except for the policies noted above, there is no change in budget policy from 1986 to 1987.

Salaries and Expenses

Supplemental fact sheet

Office of Legislation

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	63	25	26
Personnel Compensation:			
FTP Positions....................	2,075	920	937
PTT and FTT Positions............	214	35	38
Other Personnel Compensation.....	41	29	30
Special Personnel Services Payments.............	0	0	0
Subtotal, Personnel Compensation..................	2,329	984	1,005
Personnel Benefits...............	247	104	107
Benefits for Former Personnel....	0	0	0
Travel/ Transport of People......	10	7	10
Transportation of Things.........	1	1	2
Standard Level User Charges......	0	0	0
Communications, Utilities, and Other Rent................	5	0	0
Printing and Reproduction........	54	67	67
Other Services...................	17	30	32
Supplies and Materials...........	26	14	20
Equipment........................	0	0	0
Budget Authority by Object......	2,688	1,207	1,243

Salaries and Expenses

Supplemental Fact Sheet

Office of Management

Role and Responsibilities

The Deputy Under Secretary for Management serves as the principal adviser to the Secretary on Departmental administrative matters. The Office performs the following functions:

- o Develops and oversees Departmental systems such as management-by-objectives, quality control, organizational development, and management directives.
- o Manages the Department's financial, contracts, grant-making, procurement, and automated data processing activities.
- o Provides personnel and training services to Department offices.
- o Provides resource management services, including facilities management, administrative support, and audiovisual communications.
- o Develops and manages the Department's Affirmative Action Program.
- o Conducts assessments of internal management services.
- o Provides leadership in the development and enhancement of the Department's management improvement program and the credit management improvement program.

Organization and Staffing

The Office of Management (OM), headed by a Presidential appointee, consists of the Immediate Office of the Deputy Under Secretary (which includes the Immediate Staff, the Administrative Staff, Equal Employment Opportunity Staff, Small and Disadvantaged Business Unit, all totaling 46 FTE), the Office of the Comptroller (309 FTE), and the Administrator for Management Services (217 FTE). The Comptroller is responsible for three service areas: Grants and Contracts, Financial Management, and Information Resource Management. The Administrator for Management Services also has responsibility for three services areas: Administrative Resource Management, Management Improvement, and Personnel Resource Management. The total staffing for OM is 572 FTE.

During 1986, the reorganization of the Office of Educational Research and Improvement resulted in a transfer of contracts and grants functions formerly performed in OERI and 26 FTE to OM. The Assistance Management and Procurement Service was subsequently reogranized into the Grants and

Salaries and Expenses

Supplemental Fact Sheet

Office of Management - continued

Organization and Staffing - continued

Contracts Service, thus eliminating several duplicative administrative responsibilities within the Department. In addition, integration of the administrative budget functions and the program account budgets resulted in a transfer of the Administrative Budget and Analysis Staff (10 FTE) from OM to the Office of Planning, Budget and Evaluation in 1986.

Principal Items of Cost

For the purpose of clarity, the Common Support Expenses budget which was included in the OM budget in 1986 is presented separately in 1987. Thus, approximately 94 percent of the budget for this office is for personnel compensation and benefits. OM provides services to the entire Department for financial control and tracking, awarding of grants and contracts, and internal communications. OM also administers funds for Department-wide activities and services totaling $48 million in 1985 which include rent, telecommunications, mail, ADP and equipment.

An object class summary of budget authority for fiscal years 1985-1987 is included on the following page.

1987 Budget Proposal

The budget proposal for this office assumes that the employment reduction of 22 FTE is to be achieved through more efficient organization, and further reductions of overhead positions that can be accomplished through attrition.

The budget request for personnel compensation and benefits reflects a reduction resulting from the Government-wide initiative to reduce the proportion of employees in grades 11 through 15.

The budget includes an increase for Travel of $70,000 to provide increased contract monitoring and improved cash and credit management. This increase will also allow travel to the regional offices and other field sites to support the initiative to reduce the amount of office space used by the Department. The 1986 level was reduced as a result of the fund sequester required by P.L. 99-177.

Other activities which are increased include Printing of $25,000 for finance and operating manuals and Supplies and Materials of $27,000 to support operations.

Salaries and Expenses

Supplemental Fact Sheet

Office of Management - continued

1987 Budget Proposal - continued

An increase for Other Services of $455,000 is requested for contracts and data processing projects, for developing a supervisor's handbook and for microfilming pay records.

Except for the policies noted above, there is no change in budget policy from 1986 to 1987.

Salaries and Expenses

Supplemental fact sheet

Office of Management

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	661	594	572
Personnel Compensation:			
FTP Positions....................	20,062	18,623	17,508
PTT and FTT Positions............	672	460	471
Other Personnel Compensation.....	564	390	398
Special Personnel Services Payments..............	7	0	0
Subtotal, Personnel Compensation..................	21,305	19,473	18,377
Personnel Benefits...............	2,333	2,151	2,220
Benefits for Former Personnel....	109	0	0
Travel/ Transport of People......	111	62	132
Transportation of Things.........	16	14	18
Standard Level User Charges......	0	0	0
Communications, Utilities, and Other Rent................	1	1	1
Printing and Reproduction........	30	30	55
Other Services...................	1,001	515	970
Supplies and Materials...........	127	93	120
Equipment........................	6	0	0
Budget Authority by Object......	25,039	22,339	21,893

NOTE: 1985 BA by Object includes $411.2 thousand held in reserve under Section 515 of the Treasury-Postal Service Appropriations Act.

Salaries and Expenses

Supplemental Fact Sheet

Common Support Expenses

Role and Responsibilities

The Common Support Expenses budget subdivision is separated from the Office of Management to identify more clearly the Department's overhead expenses. The Office of the Deputy Under Secretary for Management performs the following functions with these funds:

- Provides services to the Department's program and staff offices, including rental of space, automated data processing (ADP) services, telecommunications, utilities, mail, training, copy centers, movers, and other specialized services.
- Maintains fund control for these Department-wide activities and services.
- Ensures compliance with government-wide policies relating to office space management, mail, telecommunications, printing, and interagency agreements.

Organization and Staffing

Common Support Expenses are administered by the Immediate Office of the Deputy Under Secretary, the Administrator for Management Services, and the Comptroller as a part of their assigned responsibilities. No staff is paid from these funds.

Principal Items of Cost

Approximately 42 percent of the budget is for General Services Administration's (GSA) Standard Level User Charges (SLUC) for rental of space, 17 percent for other Departmental services (ADP, contracts and reimbursable services), and 29 percent for communications, utilities, and other rentals (which include telecommunications, mail, and rental of data processing and photocopy equipment). Services contracted out include: copy centers, moving services, mail, storage, carpet repairs, and installation and computer support activities. The remainder of the budget provides for Department-wide training and interagency agreements.

Interagency agreements include the Department's use of two financial management systems, administrative payments and accounts receivable from the Department of Agriculture's National Finance Center. The Department of Interior operates the Department's payroll services. Smaller interagency agreements finance the health units serving the Department's employees and security investigations.

An object class summary of budget authority for fiscal years 1985-1987 is included in this section.

Salaries and Expenses

Supplemental Fact Sheet

Common Support Expenses - continued

1987 Budget Proposal

The Common Support Expenses budget proposal reflects a 16 percent increase in costs for rental of space from 1986 to 1987. A contributing factor for the increase is GSA-forced moves for some regional and headquarters offices to more expensive facilities in 1986. GSA rates per square foot will also increase in 1987 to reflect the current market rate for Government-owned properties.

The Department is committed to achieve the Administration's office space reduction goal of 135 square feet per employee by 1990. Progress towards this goal is reflected in the budget. By the end of 1987, the Department is planning to hold an average of 180 square feet per employee, a reduction from 187 square feet per employee at the end of 1985. Achievement of the space reduction goal requires funding for office space renovations, office moves, and travel to regional offices to plan and implement reductions. This funding is requested in the 1987 budget.

An increase of almost $2.8 million for Communications, Utilities, and Other Rent is requested to meet GSA cost increases for telecommunications ($0.1 million) and to offset payment of part of the penalty mail bill which was paid in 1986 from unobligated balances in accounts of expired programs ($2.7 million).

Increases are requested for training within Other services, supplies, and equipment in order to support the operations of the Department in 1987.

Except for the policies noted above, there is no change in budget policy in 1986.

Salaries and Expenses

Supplemental fact sheet

Common Support Expenses

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	0	0	0
Personnel Compensation:			
FTP Positions....................	0	0	0
PTT and FTT Positions............	0	0	0
Other Personnel Compensation.....	96	0	0
Special Personnel Services Payments..............	0	0	0
Subtotal, Personnel Compensation..................	96	0	0
Personnel Benefits...............	563	555	563
Benefits for Former Personnel....	243	116	116
Travel/ Transport of People......	21	0	0
Transportation of Things.........	6	7	12
Standard Level User Charges......	13,892	14,719	17,104
Communications, Utilities, and Other Rent................	13,249	8,833	11,643
Printing and Reproduction........	34	58	58
Other Services...................	17,117	11,241	10,170
Supplies and Materials...........	630	192	253
Equipment........................	2,420	68	411
Budget Authority by Object......	48,271	35,869	40,344

NOTE: 1985 BA by Object includes $348.9 thousand held in reserve under Section 515 of the Treasury-Postal Service Appropriations Act.

Salaries and Expenses

Supplemental Fact Sheet

Office of Planning, Budget and Evaluation

Role and Responsiblities

The Deputy Under Secretary for Planning, Budget and Evaluation serves as the principal adviser to the Secretary on all matters related to Department's program plans, budgets, and efforts designed to inform the public about the Department's activities. The Office performs the following functions:

- Directs and coordinates the formulation, presentation, and execution of the Department's program budgets and coordinates the justification of the Department's budget submission before the Office of Management and Budget and congressional appropriations committees on matters relating to budget requests.
- Coordinates planning, budgeting, and policy discussions with the Office of Management and Budget and testifies before congressional appropriations committees on matters relating to budget requests.
- Directs analytical studies on the economic, social, and institutional impact of existing and proposed education programs and policies.
- Provides advice on the formulation of Department policies, legislative proposals, and program operations.
- Develops, coordinates, and monitors a planning system for supporting the Department's long-term program strategies and financial plans.
- Publishes the magazine American Education.
- Assists other Department offices in the preparation of print and audio-visual materials which inform the public about the Department's programs and the condition of American education.

Organization and Staffing

The Office of Planning, Budget and Evaluation (OPBE) consists of the Immediate Office of the Deputy Under Secretary, headed by a Presidential appointee (6 FTE); the Executive Staff (8 FTE); the Budget Service (72 FTE); the Planning and Evaluation Service (30 FTE), and the Public Affairs Service (28 FTE) which includes the News and Information Division and the Editorial Policy Division. The total staffing for this office is 144 FTE.

In 1986, the Public Affairs Service (28 FTE) from the former office of Legislation and Public Affairs and the Administrative Budget Staff (10 FTE) from the Office of Management were transferred to OPBE.

Salaries and Expenses

Supplemental Fact Sheet

Office of Planning, Budget and Evaluation - continued

Principal Items of Cost

Approximately 76 percent of the budget for this office is for personnel compensation and benefits. The other major items of cost are contracts for studies and evaluations and for associated ADP operational costs which totaled almost $4 million in 1985.

An object class summary of budget authority for fiscal years 1985-1987 is included on the following pages.

1987 Budget Proposal

The budget proposed for this office for personnel compensation and benefits reflects an increase from 1985 based on transfers from the Office of Management and the Office of Legislation. A decrease of 8 FTE will be realized from 1986 to 1987 through organizational realignments and attrition.

The budget request for personnel compensation and benefits reflects a reduction resulting from the Government-wide initiative to reduce the proportion of employees in grades 11 through 15.

The decrease in Other services reflects the evaluation of education studies supported during 1986.

The 1987 request includes an increase of $23,000 in Travel to provide travel support at the 1985 usage level and an increase of $6,000 in Supplies needed to support the 1987 level of staff and work activity.

Except for the policies noted above, there is no change in budget policy from 1986 to 1987.

Salaries and Expenses

Supplemental fact sheet

Office of Planning Budget and Evaluation

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	116	152	144
Personnel Compensation:			
FTP Positions....................	4,182	5,837	5,663
PTT and FTT Positions............	424	197	163
Other Personnel Compensation.....	56	39	40
Special Personnel Services Payments..............	8	0	0
Subtotal, Personnel Compensation..................	4,671	6,073	5,866
Personnel Benefits...............	478	666	641
Benefits for Former Personnel....	0	0	0
Travel/ Transport of People......	45	22	45
Transportation of Things.........	1	0	0
Standard Level User Charges......	0	0	0
Communications, Utilities, and Other Rent................	1	0	1
Printing and Reproduction........	24	25	25
Other Services...................	3,947	2,113	1,968
Supplies and Materials...........	24	27	33
Equipment........................	0	0	0
Budget Authority by Object......	9,190	8,926	8,593

NOTE: 1985 BA by Object includes $1091 thousand held in reserve under Section 515 of the Treasury-Postal Service Appropriations Act.

Salaries and Expenses

Supplemental Fact Sheet

Advisory Councils

Role and Responsibilities

The advisory councils and committees provide the Secretary of Education, the President, and the Congress with recommendations concerning the administration and operation of educational programs in the Department of Education. These committees are mandated by the Congress or established by the Department with members appointed by the President or the Secretary. The committees' functions are also mandated by statute or charter and include advice on the preparation of regulations, recommendation of changes in legislation, promotion of better intergovernmental relations in education, advice on the distribution and award of Federal grants, and advice on Federal education policy in specific areas. Each committee issues an annual report to the Congress and the President about the operation and administration of its respective programs.

Organization and Staffing

Following are the seven councils funded under the "Advisory Council" budget in FY 1986 and four advisory councils transferred for 1987 from other program offices to improve council management.

Presidential Advisory Council	FTE	Other Advisory Committees	FTE
National Advisory Council on Adult Education	4.6	Accreditation and Institutional Eligibility	.4
National Advisory Council on Vocational Education	4.9	National Advisory Board on Internatinal Education Program	.5
National Advisory Council on Women's Education Programs	4.5	National Center for Research in Vocational Education Advisory Council	.1
Intergovernmental Advisory Council on Education	.5		

Advisory Councils Transferred from Other Offices	FTE
National Advisory and Coordinating Council on Bilingual Education (formerly in OBEMLA)	1.5
Advisory Council on Education Statistics (formerly in NCES/OERI)	.2
National Council on Education Research (formerly in NIE/OERI)	4.8
National Board of the Fund for the Improvement of Postsecondary Education (formerly in OPE)	---

The total FTE for this office is 22 in 1987.

Salaries and Expenses

Supplemental Fact Sheet

Advisory Councils - continued

Organization and Staffing - continued

The National Advisory Council on Indian Education is funded from the Indian Education account.

Principal Items of Cost

Approximately 73 percent of the cost for this activity is for personnel compensation and benefits and 21 percent of the cost is for travel of council members and staff to full council meetings in compliance with statutory requirements. Meetings are combined with public hearings at which representatives from a variety of public and private groups offer testimony. Council members also conduct site visits of Federal grantees and contractors to monitor and evaluate the administration and effectiveness of Federal programs.

An object class summary of budget authority for fiscal years 1985-1987 is included on the following page.

1987 Budget Proposal

The budget proposal for this office reflects the transfer of four advisory councils from other offices: the National Advisory and Coordinating Council on Bilingual Education; the Advisory Council on Education Statistics; the National Council on Education Research; and the National Board of the Fund for the Improvement of Postsecondary Education.

The budget proposal also reflects a reduction of 4 FTE and $260,000 in personnel compensation and benefits from the 1986 level resulting from Department's proposal to repeal the authority for the National Advisory Council on Continuing Education in the Department's Higher Education Act reauthorization bill. Federal funding for a continuing education ended in 1981. This council is no longer necessary. The decrease is offset by an increase of 1 FTE reflecting plans for more council meetings in 1987.

The budget request for personnel compensation and benefits reflects the reduction resulting from the Government-wide initiative to reduce the proportion of employees in grades 11 through 15.

The increase of $66,000 in travel also reflects the increased number of meetings planned for 1987.

Salaries and Expenses

Supplemental fact sheet

Advisory Councils

Budget Authority by Object ($ in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Total compensable workyears......	19	25	22
Personnel Compensation:			
FTP Positions....................	626	862	503
PTT and FTT Positions............	118	160	255
Other Personnel Compensation.....	12	9	9
Special Personnel Services Payments..............	0	0	0
Subtotal, Personnel Compensation..................	756	1,031	767
Personnel Benefits...............	78	113	84
Benefits for Former Personnel....	13	0	0
Travel/ Transport of People......	246	180	246
Transportation of Things.........	0	0	0
Standard Level User Charges......	0	0	0
Communications, Utilities, and Other Rent................	9	8	8
Printing and Reproduction........	28	24	24
Other Services...................	22	18	15
Supplies and Materials...........	14	10	15
Equipment........................	10	1	6
Budget Authority by Object......	1,176	1,385	1,165

Salaries and Expenses
Detail of Permanent Positions

	1985 Actual	1986 Appropriation	1987 Estimate
Executive Level I	1	1	1
Executive Level III	1	1	1
Executive Level IV	7	5	5
Executive Level V	4	4	4
Subtotal	13	11	11
ES-6	5	7	7
ES-5	5	7	7
ES-4	34	27	25
ES-3	6	6	6
ES-2	3	5	4
ES-1	7	4	4
Subtotal	60	56	53
GS-16	1	1	1
GS/GM-15	259	240	233
GS/GM-14	467	435	398
GS/GM-13	713	683	616
GS-12	1,013	935	858
GS-11	395	347	319
GS-10	6	8	7
GS-9	284	275	310
GS-8	65	62	62
GS-7	362	377	393
GS-6	256	240	238
GS-5	354	353	385
GS-4	157	204	200
GS-3	111	108	90
GS-2	23	22	25
GS-1	1	1	1
Subtotal	4,456	4,291	4,136
Ungraded	105	78	75
Total permanent positions	4,634	4,436	4,275
Unfilled positions, end of year	-37	-128	-34
Total permanent employment, end of year	4,597	4,308 1/	4,241
Average ES salary	$67,793	$68,141	$68,202
Average GS grade	10.4	10.2	10.0
Average GS/GM salary	$34,654	$34,509	$35,829

1/ Reflects reduction of 57 FTE required by the fund sequester under P.L. 99-177.

Department of Education

Consultant Services

	1985	1986 After Sequestering	1987	Increase or Decrease
Obligations	$9,156,000	$6,382,000	$7,186,000	+$804,000

Note--Excludes $81,000 in 1985, 1986, and 1987 for Indian Education.

Forms of Consultant Services

The Department of Education utilizes consultant services in two forms: consultant services contracts and appointive consultants. The major portion of the costs for appointive consultants is generally funded from the Salaries and Expenses accounts. Consultant services contracts may be funded from any administrative or program account which has contracting authority included in its authorizing legislation. Consultant services are usually defined as managerial and advisory services, including evaluations of programs and operations but not research or statistics gathering.

Appointive consultants are used when there is a need for the advice of experts for limited and intermittent periods of time. They include experts in such areas as management, civil rights, elementary education, education for the handicapped, higher education and student financial assistance. Appointive consultants give advice on policy, procedures, regulations, current practices in their fields, and a variety of other matters critical to the effective administration of the Department and its programs.

The category "appointive consultant's "includes the members of the Department's advisory committees and councils, who are appointed by the President or by the Secretary. The members receive an honorarium of $100 per day in addition to travel and per diem expenses. The cost of compensation for advisory committee members in 1985 was $242,000 and is estimated to be $148,000 in 1986. In 1987, $243,000 is requested.

Consultant services contracts are let when the Department requires a product or a service which cannot be provided by Federal staff. Such products are necessary to the administration of the Department and its programs. Most contracts are for studies in the various program areas. Consultant services contracts are also used for program evaluation and to provide advice on data processing systems and training programs for Department employees.

Consultant services also include the costs of field readers who evaluate and rate proposals submitted to the Department for funding. Field readers were funded from both program and administrative accounts in 1985 and 1986. In 1987 all field reader costs will be paid by the Salaries and Expenses accounts. The total cost of field readers was $2,270,000 in 1985, and will decrease to $1,784,000 in 1986 as part of the Department's effort to accommodate the sequestration. In 1987, $2,398,000 is requested for field readers.

Department of Education

Consultant Services

Definition of Consultant Services and Related Actions

Since the issuance of Office of Management and Budget (OMB) Circular No. A-120 on "Guidelines for the Use of Consulting Services," April 14, 1980, the Department of Education has followed the definition of consulting services contained in the Circular to govern procurement action and budget planning. As defined in the Circular, "Consulting Services means those services of a purely advisory nature relating to the governmental functions of agency administration and management and agency program management... These services are normally provided by persons and/or organizations who are generally considered to have knowledge and special abilities that are not generally available within the agency. The form of compensation is irrelevant to the definition." The consultant services estimates for 1987 are based on the Circular definition.

Pursuant to Section 515 of the 1986 Treasury-Postal Services Appropriations Act enacted by reference in the Continuing Resolution, P.L. 99-190, reductions totalling $1,517,000 in budget authority estimated for consultant services have been made in four of the Department's accounts: $945,000 from the Office for Civil Rights, $160,000 from Bilingual Education, $200,000 from Rehabilitative Services and Handicapped Research, and $212,000 from Education for the Handicapped. These amounts are withheld and are not available for obligation in 1986.

1987 Budget Proposal

The Department's estimates for consultant services in 1987 reflect an increase of $804,000 in obligations over 1986. The decrease is due to the effects of both Section 515 and to the sequestration under P.L. 99-177 in the Salaries and Expenses account in 1986. The levels of estimated obligations for field readers and advisory committees in 1986, in particular, were affected by these two pieces of legislation. The projected 1987 obligations for these purposes are expected to be more in line with 1985 actual obligations. There is little change in the $3,000,000 level projected for consultant services contracts from 1986 and 1987.

The increase in the amount shown in the Salaries and Expenses account for 1987 is due to the inclusion of all estimated field readers costs in that account rather than in several program accounts as well, which was the case in 1985 and 1986.

DFEPARTMENT OF EDUCATION

Consultant Services 1/

Distribution of Consultant Services Obligations

Account	1985	1986 After Sequestering	1987
Compensatory Education for the Disadvantaged	$145,000	$211,000	$262,000
Bilingual Education	1,529,000	1,462,000	1,326,000
Education for the Handicapped	1,064,000	1,096,000	483,000
Rehabilitation Services and Handicapped Research	1,987,000	790,000	665,000
Education Research and Improvement	647,000	562,000	162,000
Salaries and Expenses	3,784,000	2,261,000	4,288,000
Total, Department of Education	9,156,000 2/	6,382,000 2/	7,186,000

1/ Excludes $81,000 in 1985, 1986 and 1987 for Indian Education.

2/ Reflects a reduction of $4,254,000 in 1985 and $1,517,000 in 1986 required by Section 515 of the Treasury-Postal Service Appropriations Acts of 1985 and 1986 (P.L. 98-473 and 99-190).

Evaluation and Report

Section 307 of Public Law 96-304, the Supplemental Appropriations and Rescission Act of 1980 requires that the Inspector General of the Department of Education evaluate and report on the Department's efforts to comply with OMB criteria in the management and reporting of consultant services contracts. The report has been drafted and will be submitted to the Congress upon completion.

TUESDAY, APRIL 15, 1986.

VOCATIONAL AND ADULT EDUCATION

WITNESSES

JOHN K. WU, ACTING ASSISTANT SECRETARY FOR VOCATIONAL AND ADULT EDUCATION

JOYCE L. WINTERTON, ACTING DEPUTY ASSISTANT SECRETARY FOR VOCATIONAL AND ADULT EDUCATION

LeROY A. CORNELSON, DIRECTOR, DIVISION OF VOCATIONAL EDUCATION, OFFICE OF VOCATIONAL AND ADULT EDUCATION

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION

LAWRENCE L. BROWN, III, DIRECTOR, DIVISION OF ELEMENTARY, SECONDARY, AND VOCATIONAL ANALYSIS, OFFICE OF PLANNING, BUDGET AND EVALUATION

INTRODUCTIONS

Mr. NATCHER. At this time, we take up the budget request for fiscal year 1987 for Vocational and Adult Education. We have before the committee Mr. John K. Wu, Acting Assistant Secretary for Vocational and Adult Education.

We are delighted to have you before the committee. Before you give us your statement, tell us who you have with you at the table.

Mr. WU. Thank you, Mr. Chairman.

Today, I have with me on my left, Dr. LeRoy Cornelson, Director of the Division of Vocational Education in the Office of Vocational and Adult Education; and Dr. Joyce Winterton, Acting Deputy Assistant Secretary, Office of Vocational and Adult Education; and on my right is Ms. Sally Christensen, Director of the Budget Service, Office of Planning, Budget and Evaluation; and Mr. Lawrence Brown, Director, Division of Elementary, Secondary and Vocational Analysis, Office of Planning, Budget and Evaluation.

Mr. NATCHER. Thank you, Mr. Wu, we will be pleased to hear from you at this time.

SUMMARY OF OPENING STATEMENT

Mr. WU. Mr. Chairman, I will summarize my statement and submit the entire statement for the record.

The administration had to make tough and difficult decisions about vocational education funding levels for our 1987 proposal. This vocational education budget recognizes a special relationship with State, local, and private counterparts since 1918, which has had dramatic results. Our Nation now has a vigorous, well-established vocational education system, capable of improving and expanding without depending on Federal support.

The State, local, and private resources provide 11 times as much support as the Federal budget. Therefore, our 1987 request is $512 million—$408 million for Vocational Education and $104 million for Adult Education.

Our budget will reduce vocational education by $405 million below the Gramm-Rudman-Hollings 1986 sequestered level. This budget will redirect most remaining Federal vocational education dollars for six special needs recognized by the Carl Perkins Act—the handicapped, disadvantaged, adult training and retraining, single parents and homemakers, sex equity, and correctional institutions.

Our 1987 request will increase adult education by about $6.4 million over its 1986 post-sequestered level. Our 1987 budget for adult education recognizes this program as a special priority for the Administration with State grants of $102 million, the highest level ever requested. We would also initiate national research and development projects at $2 million—the first funds that we have had in this area since 1973.

The additional $2 million will permit studies of the nature and extent of illiteracy, development of cost-effective means of providing services, and an evaluation of effectiveness of innovative instructional approaches.

Mr. Chairman, my colleagues and I will now be happy to answer your questions.

[The statement of Mr. Wu follows:]

DEPARTMENT OF EDUCATION

Statement by the Acting Assistant Secretary

Office of Vocational and Adult Education

on

Vocational and Adult Education

Mr. Chairman and Members of the Committee:

We appreciate this opportunity to discuss the fiscal year 1987 budget request and the fiscal year 1986 rescission proposal for vocational and adult education. These programs, when combined with State, local, and private efforts to prepare a skilled and literate work force, can effectively influence our nation's economic growth and industrial competitiveness.

For fiscal year 1987, we are requesting $408.1 million for vocational education and $104 million for adult education. As you can see on our first chart, the request is a decrease for vocational education of $194.7 million from the 1986 revised request. The 1986 revised level reflects a sequester of $36.5 million and a proposed rescission of $210.3 million. The request for adult education is an increase of $6.4 million over the 1986 post-sequester level.

Vocational Education

Before I go further into the budget figures, I would like to give you an overview of vocational education spending by Federal and State governments over the last 20 years.

An important role of the Federal government is to encourage State and local governments and the private sector to respond to issues of national concern. Federal support for vocational education is a positive example of the fulfillment of this role.

Between 1966 and 1984, the non-Federal share of vocational education expenditures rose from 71 percent to more than 91 percent. While Federal expenditures for vocational education during this period increased from $252 million to $739 million, a growth of 193 percent, State and local governments increased their support from approximately $807 million to almost $9 billion, an increase of more than 1000 percent.

The Federal government has encouraged State and local governments to address the needs of vocational education and they have responded dramatically. I believe this part of the Federal role has been fulfilled.

In this time of national concern over Federal spending, decisions must be made as to the continuing role of the Federal government. For 1987, our priority is to ensure that, while recognizing the substantial amount of non-Federal funding available for vocational education, we continue direct Federal support for programs designed to improve access to quality vocational education for the special needs populations specified in the Carl D. Perkins Vocational Education Act. There is every reason to believe that the Federal emphasis on these groups will have the same dramatic impact that Federal spending for vocational education in general has had over the past 20 years.

Our 1987 request for programs under the Perkins Act is $408.1 million, a decrease of $194.7 million from the 1986 revised request. These amounts, as do all the figures I will be citing for you today, include funds from the permanent Smith-Hughes appropriation.

For the State Basic Grant program, we are requesting $394.2 million, a decrease of $188.4 from the 1986 revised level. From this amount, statutory set-asides will provide about $4.9 million for the Indian program and $1 million for the Hawaiian Natives program. The remainder will be allocated to the States -- at least $361.1 million of it to be used for the six special populations named in the Perkins Act and up to $27.2 million of it for administration. Chart two shows the distribution of these basic grant funds.

For State Councils, we are requesting $7 million, an increase of $14,000 over the 1986 post-sequester level and the same as the 1985 amount. This level of funding should be sufficient to enable the Councils to continue to carry out their responsibilities.

In addition to State programs, we are requesting about $7 million for national research and data programs under Title IV of the Perkins Act. Of this amount, $3.6 million would be used for the national assessment of vocational education, a study that is required by the Perkins Act. In addition, $2 million would be used to continue support for the National Occupational Information Coordinating Committee, $785,000 would be used to continue the Curriculum Coordination Centers, and $500,000 would be used for partial support of the new vocational education data system. Development of this data system is also required by the Perkins Act.

I would particularly like to point out that our request for funding for the national assessment is heavily dependent on our proposal that Title IV funds be appropriated on a current funded basis. We were unsuccessful with a similar proposal last year and I hope that this year we will be able to better explain our reasoning to you.

The Perkins Act stipulates that the National Center for Research in Vocational Education receive $6 million each year. Under a current funded appropriation for the research activity, no funds from the 1987 appropriation would be required for the Center, yet there would be no break in the Center's funding continuity. We have included a grant award schedule in the justification to demonstrate this point and I would welcome any discussion you might wish to have on this issue. We believe our proposal is an ideal solution to the problem of how to maintain continuity of the Center's funding schedule and ensure sufficient funding for the required assessment without a substantial increase in appropriations for this activity.

Finally, we are requesting no funding for three activities that received separate appropriations in 1986. They are Community-Based Organizations, Consumer and Homemaking Education, and Bilingual Vocational Education. Considerable funding for these activities is available from other sources. In addition, States may use their Basic Grant funds to support these activities if they wish.

Adult Education

For Adult Education, we are requesting $104 million in 1987. This is an increase of $6.4 million from the 1986 post-sequester level.

Under our proposal, adult education grants to States would be funded at $102 million, an increase of $4.4 million over 1986. We estimate that we will continue to reach about 2.6 million persons, approximately the number served at present. I should emphasize that this number is an estimate, because local recipients, not the Federal Government, determine the actual number of persons served with available funds in any year. Continued State, local, private sector, and volunteer support for adult literacy programs, in connection with the President's Adult Literacy Initiative, may also add to the number of persons served.

Finally, we are requesting $2 million for adult education research, development, and evaluation as authorized by section 309 of the Adult Education Act. This $2 million request for national projects -- the first in more than a decade -- will enable us to begin to look into some of the most pressing issues in adult education, such as information on the nature and extent of the illiteracy problem, the most cost-effective means of reaching the target population, and the effectiveness of innovative instructional methods, materials, and approaches.

Fiscal Year 1986 Rescission

The President is also proposing a 1986 rescission of $210.3 million for the vocational education program -- $172.9 million from Basic Grants, $30.3 million from Consumer and Homemaking Education, and $7.2 million from Community-Based Organizations. As our second chart on Basic Grants further demonstrates, none of the rescinded amount would come from part A of the Basic Grant authority -- Vocational Education Opportunities. This action would maintain services for the six special needs populations at the 1986 post-sequester level of $394.4 million.

At this time, Mr. Chairman, my colleagues and I will gladly respond to any questions you may have.

[illegible]

DEPARTMENT OF EDUCATION
1987 BUDGET — VOCATIONAL & ADULT EDUCATION
(Millions of Dollars)

	1986	1986 REVISED	1987 REQUEST
VOCATIONAL EDUCATION (CDPVEA)			
STATE PROGRAMS:			
Basic Grants	$748.7	$575.9	$387.2
Community-Based Organizations	7.2	—	—
Consumer and Homemaking Education	30.3	—	—
State Councils	7.0	7.0	7.0
NATIONAL PROGRAMS:			
Research	7.4	7.4	4.3
Data Systems	2.2	2.2	2.5
Bilingual Vocational Training	3.5	3.5	—
PERMANENT APPROPRIATION	6.8	6.8	7.1
SUBTOTAL, VOCATIONAL EDUCATION	813.1	602.8	408.1
ADULT EDUCATION (AEA)			
Grants to States	97.6	97.6	102.0
Research, Development, Evaluation	—	—	2.0
SUBTOTAL, ADULT EDUCATION	97.6	97.6	104.0
TOTAL	$910.7	$700.4	$512.1

CARL D. PERKINS VOCATIONAL EDUCATION ACT
DISTRIBUTION OF BASIC GRANT FUNDS
(Thousands of Dollars)

	1986	1986 REVISED	1987 REQUEST
PART A: VOCATIONAL EDUCATION OPPORTUNITIES			
Handicapped	$ 69,189	$ 69,189	$ 63,345
Disadvantaged	152,215	152,215	139,360
Adult Training and Retraining	83,027	83,027	76,015
Single Parents and Homemakers	58,810	58,810	53,844
Sex Equity	24,216	24,216	22,171
Correctional Institutions	6,919	6,919	6,335
SUBTOTAL, PART A	394,376	394,376	361,070
PART B: IMPROVEMENT, INNOVATION, AND EXPANSION	297,512	139,139	–
STATE ADMINISTRATION	52,077	40,157	27,177
INDIAN/HAWAIIAN NATIVES PROGRAM	11,477	8,884	5,915
TOTAL	$755,442	$582,556	$394,162

All figures include funds from the Smith-Hughes Act (Permanent Appropriations).

DEPARTMENT OF EDUCATION

Office of Vocational and Adult Education

Biographical Sketch

NAME : John K. Wu

POSITION : Acting Assistant Secretary for Vocational and Adult Education

BIRTHPLACE AND DATE : Tientsin, China, July 9, 1935

EDUCATION : Castleton State College, Vermont, 1962, B.A.
Castleton State College, Vermont, 1975, M.A.
Harvard University, JFK School of Government, 1983 Senior Executive Program

EXPERIENCE

PRESENT : Acting Assistant Secretary for Vocational and Adult Education

1982-1985 : Deputy Assistant Secretary for Vocational and Adult Education
1981-1982 : Executive Assistant to the Assistant Secretary for Vocational and Adult Education
1981 : Education Committee Staff Director, 1981 White House Conference on the Aging
1980-1983 : Editorial Advisory Board, Lifelong Learning Division, Scott Foresman
1977-1981 : Proprietor, Wu Associates, Inc., Ludlow, Vermont
1977-1979 : Principal, Weatherfield Middle School, Ascutney, Vermont
1976-1979 : National Advisory Council on Adult Education, Chairman 1978
1972-1981 : Governor's Advisory Council on Adult Education (Vermont), Chairman 1980
1962-1974 : Secondary Classroom Teacher, Vermont Public Schools

VOLUNTEER ACTIVITIES

1971 : Elected to Board of Selectmen (Town Council), Ludlow, Vermont
1970-1974 : Ludlow, Vermont Planning Board, Chairman 1970
1966-1970 : Board of Directors, Windsor County Mental Health
1962-1963 : Scout Master and Assistant Scout Master, Boy Scouts of America

HONORS

1979 : Outstanding Adult Educator, Commission on Adult Basic Education
1969 : Fulbright Scholar, Indonesia/Singapore
1968 : Fulbright Scholar, Japan
1966 : Distinguished Service Award, Ludlow Area Jaycees

GRAMM-RUDMAN-HOLLINGS SEQUESTER

Mr. **NATCHER**. For 1986, an amount of $40,453,000 is being sequestered under this appropriation account. Most of these reductions are for advance funded programs but do you have any idea as to how State and local vocational education programs will be affected by these reductions?

Mr. **WU**. Mr. Chairman, because of the overmatch of 11 to 1 in local and State appropriations, with the request that we have asked for programs will not be affected that drastically.

Mr. **NATCHER**. Would you say they wouldn't be affected at all?

Mr. **WU**. There is always some effect when you have cuts and ask for reductions, but because of the overmatches, as I have stated, I think they can overcome that.

PROBLEMS WITH STATE ALLOCATIONS

Mr. **NATCHER**. We understand that there may be a problem in State allocations under the Carl Perkins Vocational Education Act, because of sequestration and other matters.

Apparently, some States will receive increased allocations, while others will receive substantial reductions. Is there a problem, and if so, tell us about it. How will it affect them?

Mr. **WU**. Sir, there may be a formula problem there, because of the half percent floor in the Perkins Act, and under certain conditions, this will drive money to smaller States.

I think this needs to be corrected if Congress does not agree with our request. We need to work with your staff and with the field to correct this.

Mr. **NATCHER**. What suggestions do you make to us? We believe on this subcommittee that vocational and adult education are two of the most important programs in this entire field of education.

If we took this bill over to the House and said to them, we want to cut vocational education by the amount that you have in your budget before the committee, we would have all kinds of trouble. You know that, Mr. Wu.

After holding hearings on this bill, we intend to bring out a good bill. You say correct it.

How should we correct it? What would you suggest?

Mr. **WU**. Well, Mr. Chairman, this is just our proposal, and of course, it is up to the wisdom of Congress to—we are just proposing—and for you to dispose.

Because of the targeting by the administration, because of the deficit our country is facing, and because we need to find reductions overall, the Secretary has set his priorities. These are to protect the disadvantaged and the handicapped as much as possible, and in order to find the dollars, we felt we needed to look at programs that would be least harmed. This is the request that we are bringing before you.

Mr. **NATCHER**. Would it require additional money, Mr. Wu, to correct it?

Ms. **CHRISTENSEN**. Mr. Chairman, if our request goes through for both 1986 and 1987, we will not have this kind of a problem. The problem results from the fact that we have two formulas that we have to follow here.

One is the Perkins Act formula, which provides three things: First, that the mandated total amount is made available for each State; that each State receive at least a half of 1 percent of the total appropriation that is available; and thirdly, that there is a hold harmless for each State back to the 1984 level.

When you take that formula in the basic law, and lay it over the appropriations act language which earmarks a specific amount for each of the three State grant programs, we have a situation where certain States have large, much larger totals than they did in the past, which is fine, but the restrictions in the appropriations language hold the amount down for the basic grant, so these States have disproportionate increases in the consumer and homemaking program.

Mr. NATCHER. Will you require legislative language?

Ms. CHRISTENSEN. No, we have the language in here that we need to take care of that. There will not be a problem under our proposals for 1986 and 1987.

Mr. NATCHER. All right.

1986 RESCISSION PROPOSAL

For 1986, you are also proposing rescissions totaling $210,337,000. These rescissions are about to expire, as you know.

For the record, if you will, describe the schedule and the actions planned to obligate these funds during the balance of the fiscal year.

[The information follows:]

OBLIGATION OF FISCAL YEAR 1986 FUNDS

All of the 1986 funds become available for obligation on July 1, 1986. Depending on how soon States submit approvable plans, we estimate that at least 85 percent of all State grants will be obligated before October 1, 1986.

HOW THE PERKINS ACT IS WORKING

Mr. NATCHER. Under your 1987 request, Mr. Wu, does the information received from the States thus far give any indication that the new Carl Perkins Vocational Education Act is producing better results than the previous Act?

What information do you have?

Mr. WU. Mr. Chairman, there are some problems that the States have. The States are not able to use a good part of the Federal funds to maintain existing programs, and another is that many States and eligible recipients have difficulty obtaining matching funds for the disadvantaged set-aside, and the Title II-B program improvement funds.

In another area, we are finding the States are not able to use Federal funds to pay for the total cost of separate programs for handicapped and disadvantaged. They may pay only for supplemental or additional cost. Also, the States have to spend as much Federal funds for career guidance activities as they did in the program year of 1984, and their expenditures from Part B can only be used for improved and expanded guidance activities.

This is another area we need to work with Congress to correct.

Mr. **Natcher**. Mr. Wu, excuse me for interrupting you now. These are problems that you are describing to the committee, and I understand that. As far as the Carl Perkins Vocational Education Act, do you feel generally that it is producing better results?

Mr. **Wu**. Yes, I think it does, sir.

Mr. **Natcher**. In other words, just the act itself, as far as vocational education itself is concerned generally. What improvements have you noticed?

Ms. **Christensen**. It is a little early to be able to tell. This is the first year it is being implemented in the States. We still have the problem with so many set-asides, that we talked about last year, that when the funds get down to the local school administrators, they have to merge these funds with other program funds.

By the time they do that, they have a very difficult time administering the program; so other than that, we will wait for the assessment, the study on the Vocational Education Act, that we are starting now, in fact.

Mr. **Brown**. We are currently involved in an implementation evaluation in nine States. The first results of those particular case studies should be available soon. We will know more about the types of problems that States are running into in administering this program around June to August, I would imagine.

To elaborate just a little bit more on Ms. Christensen's point, we do have problems with the Perkins Act per se, in that it is probably the most complicated and cumbersome Act that we have.

It is difficult for many people, including those who have to administer it, to understand. It is difficult for those of us who have to establish priorities within it to determine just how to do that.

The problem is that, if you change one portion or part of this law or of the program, you change all parts.

NEW ACTIVITIES UNDER THE PERKINS ACT

Mr. **Natcher**. On the basis of State applications received thus far, what types of new activities are being conducted by the States that could not have been conducted under prior legislation? If you will, give us an example or two?

Mr. **Wu**. Mr. Chairman, under the previous legislation, the States distributed most of the Federal funds to the local educational agencies, and postsecondary institutions, on the basis of a formula.

A good part of these funds were used to maintain existing programs. They used some of these funds for statewide staff development activities and pre-service programs and for separate vocational programs for the disadvantaged and the handicapped.

They also spent more funds for cooperative education programs, including funds for supervision.

LEGISLATIVE CHANGES FOR PERKINS ACT

Mr. **Natcher**. Have there been any administrative problems with the new Vocational Education Act that might require legislative amendment?

You have been speaking about the many problems now.

Ms. Christensen. I think once we have not only the preliminary results from our national study, but the final version, we will then be in a position to say what kinds of changes we would want to propose, Mr. Chairman.

EFFECTIVENESS OF VOCATIONAL TRAINING

Mr. Natcher. In general, what do the various evaluation studies indicate about the effectiveness of vocational education programs in training people for jobs? What would you say about that, Mr. Wu, generally?

Mr. Wu. By and large, I think it is, and again, it depends on what level of vocational education you are talking about. Are you talking about students coming out of the secondary schools or postsecondary schools, and again——

Mr. Natcher. What about adult, postsecondary?

Mr. Wu. Again, we don't have——

Mr. Natcher. High school.

Mr. Wu. Offhand, I don't know exactly if we have any hard evidence on how it is doing. Let me turn this over to my division director, and probably he can speak to it.

Mr. Natcher. All right, go right ahead.

Mr. Cornelsen. The postsecondary programs have a much closer tie to the job market and are more training-oriented than education, so a very large portion of those that complete their programs go to work in the field for which they are trained.

It's quite the opposite at the high school level. The best data we have is roughly half of those that complete go to work in some occupation that is related to the field for which they trained, but it is easy to confuse the participation in vocational education at the secondary level.

Some students take a single semester course. Others take two or three years, or several courses, so there is a great diversity in the level, duration, and intensity of instruction.

At the high school level, it is as much education as job training, because the students in vocational education take all of the required credits of English, math, science, for graduation, so the intensity for job preparation occurs at the very last year of high school.

PER PERSON COST OF VOCATIONAL TRAINING

Mr. Natcher. What is the average cost per person for vocational training? Do you have any idea?

Mr. Cornelsen. We could furnish that for the record.

Mr. Natcher. Give us a ball park figure.

Mr. Cornelsen. Some, like home economics, where there is a very large number of enrollees, the Federal cost is less than $10 per trainee year. That is considerably lower than it is in some of the high-tech areas where you are talking about several thousand dollars per trainee per year.

Mr. Natcher. How does this compare generally to the cost per person under various Federal job training programs? Can you give us some idea as to how it compares?

Mr. CORNELSEN. Mr. Chairman, the comparison I would draw your attention to is that while the type of student is similar, with some differences in the job training program, they are largely out-of-school youth, where students in the vocational programs are in school.

The duration of training in job training partnership is very, very brief, several months in length, six to eight months at the outside, and so that the costs would be very great because of the intensity of the instruction.

So roughly, approximately—the job training partnership programs in the same occupation are approximately twice as expensive in JTPA as they are in vocational education.

We can furnish you for the record data on that.

Mr. NATCHER. Suppose you do when you get the transcript back.

[The information follows:]

ESTIMATED COST PER STUDENT

The source of information on these costs for vocational students was the Department's Vocational Education Data System (VEDS). The Department discontinued VEDS in 1983 because its data were not reliable. We hope to have more reliable information on the per student costs of vocational education from the new data system the Department is now developing and from the congressionally mandated National Assessment of Vocational Education.

Training costs under the Job Training Partnership Act average $1,768 per trainee.

PROGRAM COMPLETION RATES

Mr. NATCHER. How do program completion rates under vocational education compare with those under job training programs?

Mr. CORNELSEN. We don't have data to compare the two at this time.

Mr. NATCHER. Put a statement in the record for us, if you will please.

[The information follows:]

PROGRAM COMPLETION RATES

Again, because of the discontinuation of VEDS, we will not have program completion rates until the new vocational data system is developed and until we receive information from the National Assessment. The Labor Department reports that for 1985, 647,300 trainees completed training under the JTPA.

COORDINATION WITH JTPA

Mr. NATCHER. Will you briefly describe how Federal, State and local activities under the Perkins Act are coordinated with those under the Job Training Partnership Act?

Mr. WU. Mr. Chairman, for the past year, we have been meeting with my counterpart, and also my deputy has been meeting with her counterpart in the Department of Labor, JTPA.

For example, we are actively working together on the CBO program which was funded under the 1986 Appropriation Act. In our division, in our Vocational Education Division, Dr. Cornelsen has his staff working together with the Department of Labor.

Also, on the State Councils, on the State level, they have been working together.

FUNDING FOR TITLE II, PART B

Mr. NATCHER. Why are you proposing to terminate the Federal funds for program improvement under Part B of State programs?

Mr. WU. Again, Mr. Chairman, we looked at the total funding of vocational education, and in order to come up with money to meet the mark that was proposed by the Department of Education and OMB, and that is the least harmful to the program, we looked at all the programs under Vocational Education. We felt Title II, Part B, program improvement and expansion, would be the logical area to come up with a reduction.

We feel that the most important Federal role in vocational education is to provide program access for the handicapped and for the disadvantaged, and other at-risk populations, so we want to protect that funding as much as possible.

PROGRAM IMPROVEMENT EXPENDITURES

Mr. NATCHER. Mr. Wu, generally speaking now, how have these funds been used under the Perkins Act? Can you give us an example?

Mr. WU. Yes, Mr. Chairman. We have taken a sample of nine States, and we have found that under program improvement and expansion under Title II, Part B, about $53 million or 46 percent of the money in these nine States has gone for equipment.

New programs cover about 4 percent; miscellaneous, 19 percent; guidance, 4 percent; professional development, 9 percent; evaluation, 6 percent; and for curriculum, 12 percent. So most of the money of the Perkins Act under program improvement has gone for equipment.

Mr. NATCHER. Mr. Wu, do you believe States and localities will assume funding for program improvement if Federal funds are terminated under the program improvement part of the Act?

Mr. WU. Yes, I think they will, sir.

Mr. NATCHER. You think they will.

SPECIAL POPULATIONS

What do your preliminary data show regarding the numbers of special populations served under State programs of the Perkins Act?

Mr. CORNELSEN. We still do not have participant data because the first year is just underway, and the records we could show you would be from the prior Act, the very last data of the vocational education data system and would not be relevant to your question, Mr. Chairman.

However, I would like to point out that the Office of Educational Research and Improvement is working with us in the development of a vocational education data system which will take a sampling and obtain data that is exactly responsive to the current question.

MATCHING REQUIREMENTS

Mr. NATCHER. As you know, the vocational education programs for the handicapped and disadvantaged that are funded under State programs require special matching requirements.

Have these matching requirements caused any serious problems for the States?

Mr. CORNELSEN. Mr. Chairman, they have. There are several things that I would like to mention. One, you remember the technical amendment that you approved, which allowed in-kind matching for the disadvantaged.

It is still too early to tell, but the State grantees tell us it will be a relief and help them somewhat. In the handicapped, the Carl Perkins Act prevents the use of non-Federal matching in anything other than the added costs, so you have a rather dramatic shift from the position where they used to fund the entire program with non-Federal funds and use that for matching the Federal requirements.

We believe that will be very difficult. However, the transition authority you provided in the Carl Perkins Act will make the first year of movements from the prior Act to this one somewhat less difficult.

COMMUNITY-BASED ORGANIZATIONS

Mr. NATCHER. What are your main reasons for wanting to terminate funds for community-based organizations before this program can even get started? I believe the bill includes $7.5 million for this program.

Mr. WU. Yes, you did.

Mr. Chairman, we did not request funding for the CBO program, because we felt it was inappropriate to initiate a new program of this type, when funding for existing programs is being cut.

Eligible recipients under this program are also eligible to qualify under Title II-A, and also most of the CBO's are eligible to receive funds from JTPA.

Mr. NATCHER. How do these organizations participate under the basic State grant program, which is generally limited to public education agencies?

Ms. WINTERTON. We have been working in a pilot effort with 10 States to work at a local level with community-based organizations, so there is a joint effort to get those students to the point where they go back into vocational education programs or complete a GED, whatever the next step of their education is.

For instance, Illinois put in State funds to support that effort and get a good working relationship at the local level, and then they apply for State funding as a joint effort.

CONSUMER AND HOMEMAKING EDUCATION

Mr. NATCHER. Does the Carl Perkins Act list consumer and homemaking education as an authorized activity under basic State grants?

Mr. WU. Yes, it does.

Mr. NATCHER. How could these activities be continued if specific funding for consumer and homemaking education were terminated as you have requested?

Mr. WU. Mr. Chairman, we recommend no funding for the consumer and homemaking program, because the Department continues to believe that direct and categorical funding of programs of this type is unnecessary and unwarranted, in view of the overmatching of 17 to 1 for these particular programs, and the continued increase in the non-Federal funding.

Ms. CHRISTENSEN. Mr. Chairman, it is also true that the States can make these funding decisions under the basic grants when they decide where the needs are at the local levels. Thus, we are really able to cut back and use the limited resources much more efficiently this way, by letting them decide what portion of the basic grants they want to use for consumer and homemaking education.

Mr. NATCHER. As I understand it, consumer and homemaking education was authorized under a separate part of the law. Now you are saying to the committee that, notwithstanding that, you plan to include it under basic grants.

Ms. CHRISTENSEN. It is an allowable activity under basic grants. By letting the States direct the resources where they in fact decide they are needed at the local level, we do not have to appropriate a specific amount at the Federal level, that mandates that all States use a particular amount for consumer and homemaking education.

Mr. NATCHER. You check that now and see. You are saying to the committee that it is also listed under basic grants. In the transcript, when you get it back, put a statement in there for us, if you will.

Ms. CHRISTENSEN. It may not be listed as a special activity, but it is certainly not prohibited.

[The information follows:]

USE OF BASIC GRANTS FOR CONSUMER AND HOMEMAKING EDUCATION

Our 1987 budget requests funding only for Part A of the Basic Grants program. Part A provides for vocational education services to be directed to particular population groups through a series of percentage set-asides. For the most part, it does not specify the types of services that must be offered to those groups. The courses or training provided may be in consumer and homemaking education or any other legitimate area of vocational education.

STATE ADMINISTRATION

Mr. NATCHER. As you know, the use of funds for State administration under State programs is limited to 7 percent. How many States are using the full 7 percent for administration? Can you give us some idea?

Mr. CORNELSEN. Mr. Chairman, the State plans that the States submitted to us indicate that on the average, they plan to use 5.8 percent. However, the range is from a low of $74,000 in Alaska to nearly $5 million in the State of California, but the 7 percent Federal funds being used for that and then matched with non-Federal State funds seems adequate and appropriate.

Mr. NATCHER. For the record, if you will, provide a list of States and the percentage of funds used for administrative activities in each State.

[The information follows:]

PERCENTAGE OF FUNDS USED FOR STATE ADMINISTRATION

According to State plans, States are allocating the following percentages of their Federal funds for State administration:

State	Percent	State	Percent
Alabama	7	Montana	6
Alaska	7	Nebraska	7
Arizona	6	Nevada	6
Arkansas	6	New Hampshire	7
California	7	New Jersey	7
Colorado	6	New Mexico	6
Connecticut	7	New York	7
Delaware	7	North Carolina	6
District of Columbia	6	North Dakota	6
Florida	6	Ohio	5
Georgia	6	Oklahoma	7
Hawaii	6	Oregon	7
Idaho	5	Pennsylvania	7
Illinois	4	Rhode Island	6
Indiana	5	South Carolina	7
Iowa	7	South Dakota	6
Kansas	6	Tennessee	6
Kentucky	7	Texas	6
Louisiana	6	Utah	6
Maine	7	Vermont	6
Maryland	6	Virginia	6
Massachusetts	6	Washington	6
Michigan	6	West Virginia	6
Minnesota	6	Wisconsin	7
Mississippi	6	Wyoming	7
Missouri	5	Puerto Rico	7
		Guam	7

CURRENT FUNDING FOR NATIONAL PROGRAMS

Mr. NATCHER. Why are you again proposing to change national programs from forward funding to a current funded basis? What about that?

Ms. CHRISTENSEN. Mr. Chairman, the main reason is that we have some mandated activities such as the National Study on the Vocational Education program that we need to fund with our appropriation this year.

Our basic proposal would change the funding for the National Center on Research in Vocational Education. Our proposal would keep that project funded at $6 million, but by changing to current funding for that, we can skip a year of funding and still make our awards each year, in January of each year.

For instance, for the 1986—January 1986 grant, we used 1985 funds, and for the grant that we must sign in January 1987, we will use 1986 funds.

Under current funding, for the one that comes due in January 1988, we can skip a year and use 1988 funds. We realize a savings of $6 million, which can go towards those mandated activities under the new law, as well as save a couple million dollars.

PURPOSE OF THE ADMINISTRATION'S BUDGET

Mr. NATCHER. You have been around now for a year or two. You always come before our committee and you give us good answers. Is this Administration trying to phase out vocational education? Is that the purpose of the budget request that we have before this committee?

Ms. CHRISTENSEN. Mr. Chairman, if you look at the outyear dollars in the President's budget, we do have these programs under Part A for these specific disadvantaged, handicapped and other special populations level-funded. We are not trying to phase out help for those particular populations.

Mr. BROWN. Also, if I remember correctly, the Secretary testified before Senator Quayle regarding Senator Quayle's proposal to remove and transfer the voc ed program to an independent agency.

At that particular hearing, he was asked whether or not the program ought to be shifted to Labor or to some other entity, and he said, no, he believed that it belonged in the Department of Education.

I don't believe that it is the Secretary's intention to phase out this program.

GRAMM-RUDMAN SEQUESTER

Ms. CHRISTENSEN. Mr. Chairman, you raised one question before that I wanted to clarify, and that was the effect of the Gramm-Rudman-Hollings sequester on this program. It is basically very, very negligible. Because of the matching, the real reduction is probably somewhere around one-tenth of 1 percent, which would not affect any particular programs.

I just wanted to clarify that for you.

Mr. NATCHER. Mr. Porter, I yield to you.

VOCATIONAL EDUCATION'S SHARE OF THE BUDGET CUTS

Mr. **Porter**. Mr. Chairman, thank you very much.

Mr. Wu, I have the same reaction to the budget that the chairman has. I find it important that we get control of our budget, that we balance it, but I also find it important that all elements of the budget share in that solution.

You are sharing in the solution to the extent of 50 percent of your budget. Why are all the cuts coming here, and has our philosophy toward vocational education changed under your tutelage?

Mr. **Wu**. No, Mr. Porter. In order to come to the conclusion in our proposal for a 50 percent cut, the administration had to look at the total reduction needed in the Department of Education's budget, and also meet Secretary Bennett's priorities, which is to protect the disadvantaged and the handicapped as much as possible.

In looking at the total budget, the administration decided where the least harm could come to the programs, and this is how we derived the cuts, the proposals that we are now presenting for vocational education.

PRESIDENT'S BUDGET DEFEATED IN CONGRESS

Mr. **Porter**. The President's budget has already been defeated. It is not going to be the direction that the Congress is going to take with respect to drawing up a budget so the question then arises, where are we with respect to vocational education changes?

Mr. **Wu**. This is our proposal, Mr. Porter. We see this as how best we can come to——

Mr. **Porter**. This testimony is irrelevant to our process of drawing an appropriations bill, because we are not going to have a budget that is like the one the President has suggested.

Why don't we talk about things that are relevant to the present instead of about the past that is gone, like it or not?

Mr. **Wu**. If you put it that way, Mr. Porter, I presume that the 1987 budget is still our proposal, and it is up to the wisdom of Congress to dispose how you feel best.

BUDGET GUIDANCE FOR THE CONGRESS

Mr. **Porter**. Let's discuss what the priorities are beyond those reflected in the budget which you submitted. If we are going to put some money back in to keep vocational education strong, where would you put it back in?

Mr. **Wu**. Of course, we'll keep the same priorities of the Secretary, and if that is the case——

Mr. **Porter**. Those are reflected in the number of $409 million. I suspect that this committee is going to go beyond that. I suspect that the appropriations process is going to lead us to less money for defense, like it or not, and more money on social programs. Since this figure is a given, what will we talk about now beyond that?

That is going to happen, so where is your guidance as to what we should do if we are going to add money to this budget, which I suspect is the case.

Ms. **Christensen**. Mr. Porter, we have to stand by the President's budget.

Mr. **Porter**. I know, but your testimony, not only yours, but every other Administration Department and agency, becomes irrelevant to guiding the Congress and getting where the Congress is going to go, anyway.

You might as well give us some guidance.

Ms. **Christensen**. I understand your point, Mr. Porter. I would ask that you consider the fact that States overmatch so much in this program—10 to 1. In addition, the Department of Labor spends $3 billion a year for job training programs, and corporations and private businesses contribute $30 to $40 billion a year for training programs for their employees.

I think that the Committee should look at the total picture of voc ed, not just this narrow pot of money that is such a small part of the total enterprises.

Mr. **Porter**. You and I know that I don't have the votes on the Committee to direct it in the way I want to direct it. It is going to go another way, but we might be able to target some of the additional money toward the secondary priorities for the Administration and yet we don't get any guidance.

We don't even get any guidance from Cap Weinberger, who stonewalls the whole budget process. It is not a very good approach.

Ms. **Christensen**. The cuts are coming——

Mr. **Porter**. Certainly, there are going to be some cuts. The increases are not going to be there where the Administration wants them.

Ms. **Christensen**. I understand what you are saying, and I am sympathetic to that view, Mr. Porter, but we are in a position now where we are supporting the President's budget.

If we in fact came up with any other numbers, we would have to go back to OMB and work them out with them.

Mr. **Porter**. Every year, and it becomes very frustrating, we listen to testimony and learn some things, of course, but we really don't get much guidance.

The Congress, at least the House, is not following the direction that the President is leading on the budget. There is money added every year, but I am not sure it is added in the right places, and we are directing ourselves to making a budget that is relevant.

Mr. **Brown**. We have given some guidance, I think, inasmuch as we have placed priority on that portion of the program that deals with those persons who are most at risk.

Mr. **Porter**. You have given that much guidance, I agree with you. The Congress will reflect that anyway, though.

Mr. **Brown**. Without indicating that we wish more money, take that priority that we have established as a guide, as where we go.

Mr. **Porter**. Since the committee will probably put $200 million back in, where should that $200 million be put back in?

Ms. **Christensen**. Obviously, our priority is in Part A. I am certainly not recommending $200 million go back into it, but as Mr. Brown says, that is our priority.

ELIMINATION OF PROGRAM IMPROVEMENT FUNDS

Mr. **Porter**. I know. What about the Perkins Act, passed by Congress? You are recommending elimination of the program improvement funds. I didn't think we could afford it at the time that it was passed, but it is the law.

Do you expect the Congress is going to reverse the course on this one and eliminate the funds?

Mr. **Brown**. As Mr. Wu indicated earlier, there do not seem to be a lot of program improvement activities being undertaken, at least in the nine States for which he has data.

Ms. **Christensen**. This program, along with many, many others in the Department of Education, are authorized but not necessarily funded, maybe never have been funded, and some are proposed for elimination or reductions this year. Particularly with Gramm-Rudman-Hollings, on which both Congress and the President agreed, certainly we would not look on an authorization as merely a mandate to fund a particular program.

ADULT EDUCATION

Mr. **Porter**. Let me ask this question, then. Adult education under the budget request gets a slight increase?

Mr. **Wu**. Right.

Mr. **Porter**. Vocational Education gets a huge decrease. Can you explain the philosophy that makes this consistent? I realize protecting the disadvantaged, the underprivileged, the handicapped is a starting point. How do you make this hang together philosophically?

Mr. **Wu**. Mr. Porter, again, adult literacy and adult education is one of the top priorities that the Secretary has set. Also we looked at the match between the State and the Federal Government. It's not as high a match as in vocational education, because adult basic education, compared to vocational education, is a fairly young program. We have asked for $2 million extra for research and development, because it is needed in adult education.

No money has been spent on that. The last time that money was put in for research for adult education issues was in 1973. These are just some of the basic facts of the Secretary's priorities, and the importance we place on literacy for which we are asking $104 million.

SENDING A SIGNAL ON VOCATIONAL EDUCATION

Mr. **Porter**. I share that priority, but I also believe that it is terribly important to provide vocational education for those who are going to fulfill roles in society that are very, very important; and that when we make 50 percent cuts in those programs, it sends a signal, to my way of thinking, that is not a very healthy one for the future.

Beyond that, I can see the importance of the adult education, but I also see the importance of vocational education. While we want to get more of the work done in these areas by the States, and that is an important philosophical consideration in approaching what the budget is, it seems to me that a 50 percent cut is really the wrong signal to be sending overall.

Mr. **Wu**. We share that view with you.

Mr. **Porter**. The numbers don't, though.

Mr. Wu. Except that we have to find the dollars somewhere, and that is why we have presented this proposal.

INCREASED STATE AND LOCAL EXPENDITURES

Ms. Winterton. If you look at vocational education, it is an example of successful efforts of the Federal Government to generate more State and local dollars, and has been highly successful doing that, and ought to be a model for other programs to encourage that kind of target.

The State and local dollars have increased historically as a percent of total Federal, State, and local dollars.

Mr. Porter. Do you think with a cut of this size that the States are going to make up a lot of this, any of it? What is going to happen to the overall numbers that are spent on vocational education in the United States?

PRIVATE SECTOR CONTRIBUTIONS

Ms. Winterton. Overall, you will find a strong commitment to vocational education at the State level, and it depends upon the economic situation of a particular State. The States that are having trouble financially, are turning more to the private sector for partnerships, such as creative use of expensive equipment.

Mr. Porter. Which is all very good. That is what we ought to be doing, but I am not sure that that is the philosophy that prevails, overall. Do you agree?

STATE SPENDING INCREASES

Ms. Christensen. It is also true that States in the past five years or so have increased their spending for education dramatically. In the last four years, for instance, it has gone up 30 percent.

That is a tremendous increase, and even if you adjust it for inflation, it is a 10-percent increase at the State level. States are really jumping in and improving vocational education programs, along with other programs that we are very excited about.

Mr. Porter. The present number is a signal that the States have to pick up a large share, and the Federal Government can't do it all?

Ms. Christensen. That is right. The States are already picking it up, in fact, and are able to do so. Your other question was, how do you reconcile the adult education request with the voc ed request? They are very compatible, because the vocational education request does target on the disadvantaged, the same as the total amount does in the adult education program.

Mr. Porter. Thank you very much.

NATIONAL PROGRAMS

Mr. Natcher. For the record, Mr. Wu, insert your schedule for obligating the 1986 appropriation for national programs, and place that in the record at this point for us.

[The information follows:]

Fiscal Year 1986 Funding Schedule for National Programs

National programs funds from the fiscal year 1986 appropriation are tentatively scheduled to be awarded as follows:

Activity	Award Estimated dates
National Assessment Vocational Education	July 1986–October 1986.
National Occupational Information Coordinating Committee	July 1986–October 1986.
Curriculum Coordination Centers	October 1986–March 1987.
National Center for Research in Vocational Education	January 1987.

VOCATIONAL EDUCATION DATA SYSTEM

Mr. **Natcher**. What is your schedule for implementing the new Vocational Education Data System, which is authorized under the national programs?

Ms. **Winterton**. We are working very closely with the Office of Educational Research and Improvement to look at the important elements of that system.

I am not sure that hard time lines have been set. We realize the importance of collecting that data as soon as possible. Our office has been approved to collect some additional data just on funding, which we will start doing as soon as that is in place.

Mr. **Natcher**. When will the first reports be available?

Ms. **Christensen**. I would add that we have $500,000 in this account. We will have an additional $1 million from the Office of Educational Research and Improvement for that, and it will be carried out by the Center for Educational Statistics.

Mr. **Cornelsen**. In addition, Dr. Winterton mentioned the fiscal reports which will be coming in December 31, 1986, and will be analyzed and available early in 1987.

CURRICULUM COORDINATION CENTERS

Mr. **Natcher**. What will happen to the six vocational education curriculum coordination centers funded under national programs, if the Federal funds were terminated?

Ms. **Christensen**. They would be continued at their current level, Mr. Chairman.

Mr. **Natcher**. All right, where is that in the justifications? Where do you show that?

Ms. **Christensen**. $785,000, money-wise. I will have to find it in the justification.

Mr. **Natcher**. You put it in the transcript, if you will.

Mr. **Brown**. Page 391, sir.

[The information follows:]

Request for Curriculum Coordination Centers

The Department is not proposing to terminate the six curriculum coordination centers. It is proposing to continue them and to restore their funding to the 1985 level of $785,000. This request is contained in pages 386 through 391 of the justification.

NATIONAL ASSESSMENT OF VOCATIONAL EDUCATION

Mr. NATCHER. What is the schedule for completing the national assessment of vocational education, which is required by the Carl Perkins Act?

Mr. BROWN. I believe that that particular evaluation is to be completed by 1989. My understanding is that the nine-State case study mentioned earlier has begun. That particular effort should be completed by the middle of the year.

In addition, there will be a design conference for the larger effort in July, and there will be consultation with Congress. There has already been consultation with House and Senate members' staffs.

Finally, I believe yesterday a project director was named, and some negotiations are going on now for core staff. I believe it is on schedule.

NATIONAL OCCUPATIONAL COORDINATING COMMITTEE

Mr. NATCHER. In general, what have been the accomplishments of the National Occupational Information Coordinating Committee, funded in part under the national programs? What would you say about that?

Mr. CORNELSEN. The amounts available from the Department of Labor, Department of Defense, Commerce and the Department of Education are used jointly to fund a variety of projects.

About 75 percent of it, nearly 80 actually, goes to State Occupational Information Coordinating Councils to carry out the work of coordinating data used by educational and labor market planners.

The remainder are used in such things as correcting the taxonomies of occupations, interfacing with the Department of Defense, material for use in the private sector, career information used in schools, by counselors, students and parents, a very effective use of a very small amount of this money.

Mr. NATCHER. Do you have any data showing how many vocational education students, teachers, job placement and career counselors and employers use the services of the National Committee? Any information on that?

Mr. CORNELSEN. We would be able to obtain that, but it would be on the basis of use at the State level, not directly with the National Center. The data are more often used at the State and local level.

ADULT EDUCATION

Mr. NATCHER. Under adult education, how many adults in this country could benefit from adult education services, based on State estimates? Can you give us some figure?

Mr. WU. About 2.3 million.

Mr. NATCHER. How many adults are now participating in adult education programs, Mr. Wu?

Mr. WU. About 21 million, Mr. Chairman—2.1.

Ms. CHRISTENSEN. Mr. Chairman, there are about 17 to 21 million adult illiterates in the country, which was the answer to your first question, actually. The number that is funded under our program with the matching from the States is about 2.6 million.

ADULT LITERACY INITIATIVE

Mr. **Natcher**. What is the relationship between the adult education program and the Department's adult literacy initiative? What would you say about that?

Mr. **Wu**. Well, Mr. Chairman, the Adult Literacy Initiative is the Secretary's initiative for adult literacy, and Mr. Karl Haigler is the Director. He mainly coordinates throughout the country with the volunteer groups, with adult basic education, and with the private sector to make them aware of the importance of adult literacy. This is above and beyond adult basic education, which is funded through our office.

ADULT EDUCATION RESEARCH

Mr. **Natcher**. What information do you have available concerning the effectiveness of adult education and adult literacy programs? Do you have any information?

Mr. **Brown**. That is one of the reasons we are requesting $2 million for research.

Mr. **Natcher**. What effort is being made to follow participants after they have completed an adult education program?

Ms. **Christensen**. That is another of the activities that we would be doing under the $2 million research request—to find out the effect of these programs on the trainees, and their success in obtaining employment afterwards.

Mr. **Natcher**. This program has been around for about 20 years. You can give us a better answer than that.

Mr. **Brown**. We have been precluded from requesting research funds. I believe we are still really precluded from requesting research funds, unless the appropriation reaches $112 million.

Prior to that, we were precluded from requesting research funds at all, or collecting any information, I believe, for a span of about 10 years.

Mr. **Wu**. 1973 was the last time.

Mr. **Brown**. We have not been able to collect that kind of information, Mr. Chairman.

Ms. **Christensen**. I think another way of looking at this is that when we started this program several years ago, the States were putting up virtually very, very small amounts. Now the State are matching quite a substantial percentage—over 50 percent—so that shows the tremendous success of this program.

STATE AND LOCAL SPENDING FOR ADULT EDUCATION

Mr. **Natcher**. What is your estimate of the total amount spent in adult education programs from State and local sources? Do you have any information along that line?

Mr. **Wu**. Mr. Chairman, the States report about $173 million, which translates to about 34 percent Federal and 66 percent State, local, and private dollars.

Mr. **Natcher**. Mr. Wu, we hope that you and your associates will take the Carl D. Perkins Vocational Education Act and make a success out of this program.

As I recall, Ms. Christensen, we have had vocational education around since 1917.

Ms. CHRISTENSEN. 1917 was the first year, Mr. Chairman.

Mr. NATCHER. Adult education started in the sixties.

Ms. CHRISTENSEN. Since 1965, under the Economic Opportunity Act. Then it was transferred over to the Office of Education about 1967.

Mr. NATCHER. We believe on this subcommittee, and I speak for all the members, Mr. Wu, on both sides here, we all believe in vocational and adult education. Mr. Wu, as the Acting Assistant Secretary for vocational and adult education, we want you to work hard at this, Mr. Wu.

We are going to help you, but we want you to work hard at it. When you people come back here next year, we want you to talk to us about the accomplishments of this program.

Mr. WU. Thank you, sir.

[The following questions were submitted to be answered for the record:]

CONSUMER AND HOMEMAKING EDUCATION

Mr. Hoyer: Mr. Wu, 16 million students are enrolled in vocational education -- 9 million of them on the secondary level. 18.2 percent of vocational students are enrolled in consumer and homemaking education programs. As you know, consumer and homemaking programs address a wide variety of national issues. I would like to give you one small example. In Ohio, there is a program serving 1,200 high school teenage parents. The retention rate for those students is 84 percent (compared to 12 percent nationwide). Another program, the Family Life Program, serves over 14,000 persons in 1985 and provides day care for 8,319 children.

Mr. Wu, both those programs will be cut or eliminated because of the Department's proposal to wipe out consumer and homemaking education. Could you explain, Mr. Wu, why the Department once again wishes to eliminate this critically important program?

Mr. Wu: Our proposal would not necessarily result in the elimination of local programs such as the ones you refer to in Ohio.

In the first place, States and localities currently pay $17 for every dollar the Federal Government spends on consumer and homemaking classes. Secondly, States and localities are free to use their Federal Basic Grant funds to pay for these courses if they wish. Third, even under our reduced 1987 proposal, a minimum of $53.8 million would be used for programs to serve single parents and homemakers, the same group as are served by the two Ohio programs.

We believe it is much more appropriate for States to decide what kinds of vocational education courses to offer their students than for the Federal Government to mandate those courses. If States and localities believe that consumer and homemaking courses are important, they will support them with State, local, or Federal funds, regardless of whether the Federal Government requires them to do so.

Mr. Hoyer: Mr. Wu, the Department stated that it wished to target vocational funding to serve the disadvantaged. Consumer and homemaking education serves that population, and serves it well; 30 percent of Title III-B funds are targeted for economically disadvantaged areas. Why would the Department propose to stop funding the disadvantaged served through consumer and homemaking education?

Mr. Wu: Far from ignoring the needs of the disadvantaged, this budget concentrates the bulk of the requested funds in special needs areas -- the disadvantaged, the handicapped, limited English proficient students, single parents, adults in need of training or retraining, programs to eliminate sex bias, and programs in correctional institutions. Funds that are spent for these population groups under the Basic Grant program may be used to support consumer and homemaking courses.

PROGRAM IMPROVEMENT

Mr. Hoyer: Mr. Wu, Congress, in the Perkins Act, focused Federal funds on, in part, assisting States to improve, modernize, and develop vocational programs. During reauthorization of the Perkins Act, there was considerable debate on this issue. In fact, during the course of reauthorization, the Federal role was shifted from assisting States to maintain vocational programs to assisting States to improve vocational programs. Mr. Wu, the Department of Education, in its reauthorization proposal, supported focusing the Federal role on program improvement; the business community, represented by the National Alliance of Business, is on record in support of a significant Federal role in supporting program improvement.

To address the concerns of the Administration, business, and the vocational community, Congress targeted 43 percent of the basic grants under the Perkins Act for program improvement and overwhelmingly passed appropriations in fiscal year 1985 and 1986 to provide $43 million in additional funds for that purpose.

Mr. Wu, in the face of the clear intent of Congress, the recognized needs of business, and your Department's own position, why do you support the elimination of program improvement funds in the Perkins Act?

Mr. Wu: In keeping with the Department's priorities of focusing limited Federal education expenditures on disadvantaged and handicapped populations, we have directed almost all vocational education funds in 1987 to those six special needs groups singled out for consideration in the Perkins Act. Based on the States' overmatch of Federal spending, the well-established nature of most States' program improvement networks, and generally increased spending on education by State and local governments, we believe that program improvement efforts will continue to grow and expand.

Mr. Hoyer: But Mr. Wu, didn't Secretary Bennett in his budget statement say that there is an "appropriate Federal role" in "improving the quality of education at all levels" while giving priority to "elementary and secondary education programs"? Is not vocational education in part a "secondary program" with over half of all vocational students enrolled at that level? And shouldn't the Department follow the mandates of the Perkins Act to support program quality, innovation, improvement, and expansion?

Mr. Wu: Secretary Bennett has spoken often about the need for improvement in educational quality, and the Department's 1987 budget contains several initiatives to improve the quality of education at all levels -- elementary, secondary, and postsecondary. These initiatives are reflected in our requests for funds for our proposed Teacher Training and Improvement Act, the Chapter 2 block grant to States, research and statistics, magnet schools, and the Fund for the Improvement of Postsecondary Education. All students, including vocational education students, will benefit from the efforts of these programs.

Given the resources being requested for these programs and the funds already being spent for educational improvement by States and localities, we believe that it makes good sense to concentrate limited Federal resources in vocational education on special needs populations.

SPECIAL POPULATIONS

Mr. Hoyer: Mr. Wu, the Department's budget would cut Title II by 50 percent and then target all that money to programs supporting special populations. Under Title II-A, funds can be used to pay for the excess costs of programs for special populations.

Mr. Wu, do you believe that the elimination of program improvement funds will not affect the quality of programs serving special populations? In fact, given your budget analysis, money targeted for serving special populations would be reduced 14 percent. In addition, your request would eliminate funds that States and locals use to pay for the quality programs that serve special populations. The end result will be the deterioration and decay of vocational programs.

Mr. Wu: To the contrary, subject to certain matching requirements, States are authorized to spend Title II-A funds for program improvement activities for the special populations. Furthermore, we believe that these special populations will benefit from the combination of: (1) the Department's budget request for programs to improve educational quality, (2) the movement across the States for educational reform, (3) increased educational spending, including spending for vocational programs, by States and localities, and (4) the concentration of Federal vocational funds on the special needs populations.

ECONOMIC DEVELOPMENT

Mr. Hoyer: Mr. Wu, Congress established technical committees in the Perkins Act, and assured major representation of the private sector on State Councils, in recognition of the symbiotic relationship of vocational education and private industry. Mr. Wu, there are also local advisory committees around the country connected to vocational education; 800,000 individuals, from private industry, volunteer for those committees.

Mr. Wu, there is tremendous interest in vocational education on the part of business. Employers recognize the contribution well-trained vocational graduates can make to their business. 85 percent of employers responding to a recent survey said they would rather hire a vocational graduate than a non-vocational graduate for jobs requiring relevant vocational skills.

And yet, Mr. Wu, your budget disregards the needs of business. The Federal share invested in vocational education drives program improvement, program quality, on the local level. Your budget, Mr. Wu, would eliminate those funds. How do you respond to that, Mr. Wu?

Mr. Wu: We believe that the Department's overall budget is very mindful of the needs of business. Our requests for programs to improve educational quality, for example, are certainly responsive to the Committee on Economic Development, which represents employers. The recent CED report says that schools need to make a greater effort to help students not going on to college to develop "higher-level skills, such as problem solving, reasoning, and learning ability...the same attributes that are crucial to success in higher education." The CED further states that students should be required to achieve "an adequate level of academic competence" before entering training for specific occupations.

Mr. Hoyer: Mr. Wu, vocational education gives its students invaluable skills to enter an occupation or pursue further education. 42 percent of vocational students go on to complete a 2- or 4-year postsecondary program; standardized test scores for vocational students equal those of students in the general track. And those vocational students who chose to enter the job market earn more money, are more productive, and are less likely to be unemployed than non-vocational students.

Yet Mr. Wu, your budget disregards the needs of vocational students. I would like to hear your opinion on that, Mr. Wu.

Mr. Wu: Just as we are mindful of what business tells us its needs are, so are we mindful of the needs of vocational students. We believe that efforts to improve the quality of secondary schools will help vocational students acquire the skills and values they need to succeed in the workplace or to benefit from further job training after they leave high school.

DEFICIT REDUCTION

Mr. Hoyer: Mr. Wu, Secretary Bennett in his Budget statement said "Budget reductions are required--the Department of Education must take its share". I would like to submit to you, Mr. Wu, that your budget cuts 52 percent out of a program that has already contributed its share to reducing the Federal deficit. In fact, Mr. Wu, in real dollars, Federal funding for vocational education's share of the Federal budget has decreased from .11 percent to .04 percent over the same period.

Why have you chosen to single out vocational education for such severe, debilitating cuts?

Mr. Wu: The chief reason for the reduction in vocational education is the availability of substantial funds for vocational education outside this program. The Federal Government has been contributing to vocational education programs since the early part of the century. Although Federal support has grown from the initial $1.7 million appropriation under the Smith-Hughes Act to the current $850 million level, it is now a small part of the total vocational education enterprise. State and local governments spend about $11 for every Federal dollar. In addition, the Department of Labor spends about $3 billion on job training programs and corporations spend an additional $30-$40 billion on training programs for their employees.

DEPARTMENT PERSONNEL

Mr. Hoyer: Mr. Wu, you have in your Department a group of effective individuals who specialize in selected program areas such as agriculture, home economics, industrial arts, and others. There has been considerable concern expressed about these specialists. Could you comment on their status?

Mr. Wu: The Department employs a number of education program officers -- some of whom have professional experience that includes work at State and local levels in one of the occupational specialities and some of whom have different or more general backgrounds. The Department uses the skills and knowledge of all these staff members to administer the programs authorized by the Perkins Act.

Mr. Hoyer: Will they be allowed to concentrate on their area of expertise?

Mr. Wu: Fulfilling the Department's responsibilities for the Carl Perkins Act requires many broad and diverse assignments. These include review of State plans, program monitoring, audit resolution, and data collection to name a few. While the specific expertise of specialists is applied to these many functions, staff are assigned full time to vocational education functions and assignments related to our primary responsibility, administration of Basic Grants to the States.

JOBS REQUIRING A COLLEGE EDUCATION

Mr. Hoyer: What percentage of jobs in today's job market require a college education?

Mr. Wu: According to a recent article from the Federal Bureau of Labor Statistics (Sargent, 1984) "no firm line can be drawn between jobs that require a college degree and those that do not." The article reports that the 1970's were characterized by deteriorating job prospects for college graduates, because of the rapid growth in the number of college-age persons born after World War II and the large number of returning veterans from Vietnam-era military service. The number of jobs that required a college degree as a condition of employment failed to keep pace with the growth in the number of bachelor's degree recipients.

Sargent predicts that, from 1982 to 1995, the number of jobs requiring a college degree will grow by 45 percent, compared to a 25-percent growth rate for all jobs. The area of largest growth is in the technical and managerial sector.

He also predicts that, due to generally greater availability of funding and places in college classrooms, the "surplus" of college graduates is expected to continue. From 1982-95, according to Sargent, about one in five college graduates will have to take jobs that do not require a college degree as a condition of employment.

NUMBER OF VOCATIONAL STUDENTS

Mr. Hoyer: How many students are now enrolled in vocational-technical education at the elementary and secondary level?

Mr. Wu: As we stated in our Congressional Budget Justification, there may be as few as 3.9 million vocational students at the secondary level. Data in this area have generally been unclear. Part of the problem is defining just who is a vocational education student.

For example, the Department's High School and Beyond Study has found that 90 percent of all students take at least one vocational education course. Clearly, students who take an occasional course in typing or shop or home economics are not necessarily vocational education students, but some States in the past have counted them that way.

We expect to have much more accurate data as a result of the new vocational education data system currently being developed by the Department's Office of Educational Research and Improvement.

TEACHER SHORTAGES

Mr. Hoyer: Mr. Wu, according to a report entitled "A Joint Report of Maryland State Department of Education and the Maryland State Board for Higher Education," Maryland is suffering from a general teacher shortage. Specifically, it notes that we are experiencing a shortage of vocational education teachers that will continue to grow.

Have you done or do you have access to any recent studies on this subject?

Mr. Wu: There are no recent definitive studies concerning teacher shortages in vocational education. There is anecdotal evidence that suggests that well-qualified teachers are harder to replace in some occupational areas and in some regions in the Nation.

Mr. Hoyer: Assuming that we don't accept your request, what is the best way to address this shortage on the national level?

Mr. Wu: Assuming that there are shortages of qualified instructors, we believe the Administration's proposed Teacher Training and Improvement Act is one of the Department's most important initiatives for 1987. Funds under this program would be used for such activities as inservice education for teachers and administrators to improve their subject matter competence and professional skills; programs to attract qualified persons from outside the profession into teaching; and personnel exchange programs between business and education. States may also use their Chapter 2 block grant funds to support teacher training activities.

The Department of Education and the Department of Defense have begun a joint effort to provide retired and about-to-be-retired military personnel information concerning teaching as a second career. Many of these individuals do have the expertise needed and have had teaching experience in the military.

ALLOCATION OF FY 1986 VOCATIONAL EDUCATION FUNDS

Mr. Conte: Mr. Wu, the rescission requests for vocational education expired today. When will this money be allocated?

Mr. Wu: All fiscal year 1986 funds under the Carl D. Perkins Vocational Education Act will become available July 1, 1986.

FY 1985 SUPPLEMENTAL APPROPRIATION

Mr. Conte: Can you give us a breakdown on how the additional money we provided in the FY 1985 supplemental has been allocated?

Mr. Wu: The $100 million from the 1985 supplemental appropriation were allocated as follows:

Basic grants to States	$96,500,000
Indian program	1,250,000
Hawaiian Natives program	250,000
National Center for Research in Vocational Education	600,037
National Occupational Information Coordinating Committee	1,257,000
Displaced Workers Project	142,963
Total	100,000,000

PARTICIPANTS IN BASIC GRANTS PROGRAM

Mr. Conte: Do you have any estimates on the numbers served currently under the vocational education basic grants program, and can you give us some figure on how many were added to the program because of that '85 supplemental?

Mr. Wu: We do not have data on the numbers served with Federal funds, and attempts to gather such data in the past have not been successful. The Department's Office for Educational Research and Improvement (OERI) is currently developing a new vocational education data system as required by the Perkins Act. This system will give us information on all vocational students, but will not tell us how many are being supported with Federal funds. OERI expects to publish a compilation of vocational education data from currently available sources by January 1987.

In addition, we hope to obtain useful information pertaining to students receiving services under the Perkins Act from the congressionally mandated National Assessment of Vocational Education. The final report of that study is due in January 1989.

GRAMM-RUDMAN REDUCTIONS

Mr. Conte: Realizing the fact that we're talking about the next school year, can you give us some impression of how the Gramm-Rudman cuts will effect the program in the 1986-87 school year?

Mr. Wu: Given the fact that States and localities already outspend the Federal government by 11 to 1 in this area, and that the 1985 supplemental appropriation raised State grants to their highest level ever, the effect of the Gramm-Rudman-Hollings sequester on the States should be negligible. States will receive about $28 million less than they received from the 1985 appropriation, but they will be getting about $60 million more than they received from the 1984 appropriation.

HOW THE PERKINS ACT IS WORKING

Mr. Conte: With the first year of the program under the new Carl D. Perkins Act coming to a close, can you give us some impression of how the new act is working? Do the States and program directors out there like it?

Mr. Wu: At the Federal level we have had a variety of problems with the Perkins Act, mostly related to the complex and often conflicting requirements pertaining to State allocations and to the percentage allocations of funds among program activities.

State directors are giving us mixed reviews, including the following problems:

- o Some States have difficulty with the fact that, with some exceptions, States are no longer able to use Federal funds to maintain existing programs.
- o Some States and eligible recipients say they are having difficulty coming up with matching funds for the disadvantaged set-aside and the Title II-B program improvement funds.
- o For handicapped and disadvantaged programs, States may use Federal funds to pay for only supplemental or additional costs of services.
- o States have to spend as much Federal money for career guidance activities as they did in program year 1984, yet funds under Title II-B can be used only for improved or expanded guidance activities, not maintenance of former guidance activities.
- o States may not use teachers' salaries to match Title II-B funds unless program improvement or expansion criteria are met.

On the other hand, States are also doing a variety of things they didn't do under the previous legislation, such as:

- o distributing the funds reserved for handicapped and disadvantaged students in a different way, and in different amounts, to local educational agencies and postsecondary institutions;
- o identifying State priorities and distributing more of the Federal funds on a request for proposal basis;
- o providing a great deal more funding for projects and activities serving single parents and homemakers;

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- providing funds under RFPs for professional development to eligible recipients;
- spending more Federal funds for counseling, day care services, transportation and placement for single parents and homemakers; and
- according to plans, working more closely with JTPA Coordinating Councils.

RURAL AREAS

Mr. Conte: Are rural and less populous areas having greater difficulty than urban areas implementing the new law?

Mr. Wu: We have no information that rural areas are having more or less difficulty than urban areas implementing the Perkins Act.

MONITORING AND TECHNICAL ASSISTANCE

Mr. Conte: What types of monitoring and technical assistance are you providing to the States?

Mr. Wu: We provide monitoring and technical assistance to the States in a variety of ways:

- We provide technical assistance daily, as needed, through telephone calls and correspondence.
- Through Project Inquire we provide both monitoring and technical assistance in a more formal structure. Project Inquire schedules reviews of each State once every three years (or one third of the States each year). Reviews include both on-site and telephone contacts.
- Starting on December 31, 1986, when the first reports are due (for the program year beginning July 1, 1985 and ending June 30,1986), we will monitor State performance and progress via annual performance reports and financial reports.

RESTRICTIONS ON USE OF SPECIAL NEEDS FUNDS

Mr. Conte: Some States have reported that many local educational agencies are not seeking Federal vocational education dollars this year because the restrictions on the use of special needs funds are more trouble than they are worth. How widespread is this problem?

Mr. Wu: While we have no empirical data on this problem, we have heard reports from a fairly widespread group of States that would lead us to believe this is a problem. It seems, according to the reports, to be affecting some school districts in each State, and may be affecting smaller school districts to a slightly greater degree than larger ones.

ECONOMICALLY DEPRESSED AREAS

Mr. Conte: Since more than half of the available grant amount must go to economically depressed areas, or areas of high unemployment, how are these areas identified?

Mr. Wu: States describe in their State Plans how they are identifying areas that are economically depressed or have high unemployment based on sub-State unemployment data and low income family data.

Mr. Conte: How is the Department monitoring this requirement?

Mr. Wu: We monitor through review of State Plans and through site visits.

DISCRETIONARY FUNDS

Mr. Conte: As for the National Programs, are there any discretionary funds available under the budget to initiate any programs like the machinists and tool and die project that I have advocated for in past years to meet special skills needs?

Mr. Wu: No, funds under the National Programs are limited to suport of the National Center for Research in Vocational Education, the Curriculum Coordination Centers, the National Occupational Information Coordinating Committee, and the National Assessment of Vocational Education.

NATIONAL ASSESSMENT OF VOCATIONAL EDUCATION

Mr. Conte: Out of the $4.4 million proposed research budget, $3 million would go toward the mandated national assessment of vocational education. Who will do this study? Will it be the vocational education program, or will it be the Office of Educational Research and Improvement? Why?

Mr. Wu: Since the mandated National Assessment is an evaluation study, it will be carried out by the Department's Office of Planning, Budget, and Evaluation, which is responsible for conducting and monitoring all Departmental program evaluations.

Mr. Conte: Section 403(d) states that no more than 20 percent of the research budget can be spent on this study. Why are you proposing to waive that section?

Mr. Wu: Our budget proposal for research accomplishes several important results: (1) it permits a one-year savings to aid in budget reduction efforts; (2) it ensures (through our request to shift from a forward to a current funding basis) that grant awards for the National Center for Research in Vocational Education will continue on schedule, even though the Center will not require 1987 funds, and (3) it includes sufficient funds to conduct the congressionally mandated study without an increase in appropriations.

Like many of the other set-asides and restrictions in the Perkins Act, the 20 percent limitation for the assessment just doesn't make sense under certain conditions. In this case, since the funds for the assessment constitute the bulk of the proposal, it is necessary to waive the 20 percent provision.

BILINGUAL VOCATIONAL TRAINING

Mr. Conte: You have proposed zeroing-out the bilingual vocational training program. Can you tell me, are there any other programs in the Department aimed at providing vocational skills to those who speak English as a second language?

Mr. Wu: Yes, other programs provide substantial amounts of funds to serve this population and they do so in a much more cost effective manner than the Bilingual Vocational Training program:

- o In 1982-83, an estimated 109,000 limited English proficient (LEP) persons were served under the vocational education State grant programs. This is about 90 times the number currently served with funds appropriated for Bilingual Vocational Training.

- o For 1987, about $139 million of the vocational education Basic Grant funds will be used for disadvantaged students. Of this amount, local grant recipients must use, for LEP students, an amount equal to the proportion LEP students are of the total number of disadvantaged students enrolled.

- o In 1982, 700,000 LEP persons were served through the Adult Education Act.

CONSUMER AND HOMEMAKING EDUCATION

Mr. Conte: Consumer and homemaker programs teach life skills to young Americans. They promote the kind of "hands up" not "hands out" philosophy the President advocated in his recent State of the Union message. Consumer and homemaker programs teach skills to help the family in the way the President suggests. Yet you state that this program is not a national priority. With a lot of our Nation's problems reaching younger kids in our schools, why do you advocate terminating this program? Doesn't it teach these kids the kinds of skills that will help them out of these potentially long term problems?

Mr. Wu: The Department does not object to consumer and homemaking programs. We just don't think it is appropriate for the Federal Government to require that States use Federal vocational funds for specific courses.

States and localities are free to use their Federal Basic Grant funds to pay for these courses if they wish. The difference is that it will be their decision, not ours. Even under our reduced 1987 proposal, a minimum of $53.8 million in Basic Grant funds will be used for programs to serve single parents and homemakers. Furthermore, consumer and homemaking courses can be paid for under any of the other five Basic Grant set-asides.

Finally, these types of programs have been around for a good many decades. They benefit from strong State and local support and a well-established network of available instructional resources.

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With the level of non-Federal support for consumer education at 17 times the Federal share, we are convinced we can end our categorical support without any reduction in service levels.

ADULT LITERACY INITIATIVE

Mr. Conte: Turning to the Adult Education budget, I note that the Secretary has started a new literacy initiative. Is that connected in any way to the Adult Basic Education program that you oversee? If not, why not?

Mr. Wu: The major Federal program to address adult literacy is administered in the Office of Vocational and Adult Education under the Adult Education Act. The Adult Literacy Initiative, launched by President Reagan in September of 1983, performs a coordinating role in the Department to increase the efforts of the private sector and volunteers toward serving the educational needs of the adult illiterate population. The Initiative helps direct other Federal resources, inside and outside of our Department, to the effort. We believe the Initiative has had a significant impact on increasing available resources for the federally supported adult basic education programs.

Mr. Conte: Isn't there a great potential for duplication, not only in the Adult Basic Education program, and the literacy initiative, but also with other programs like the library literacy program?

Mr. Wu: Not at all. In fact the Literacy Initiative is resulting in more coordination, not duplication, of Federal activities to support adult literacy efforts. The Federal Interagency Committee on Education is in the process of cataloging all Federal authorities that can support adult literacy services. The study will further identify at what level -- Federal, State, or local -- coordination of these programs can be effective.

There has been a history of coordination between library programs and adult education programs. States have created statewide coordinating councils as a result of efforts of the Adult Literacy Initiative. These councils always include representatives of library programs and adult education programs.

ADULT EDUCATION RESEARCH FUNDS

Mr. Conte: What will the $2 million in research funds requested under the Adult Education program be used for?

Mr. Wu: These funds will be used for studies and other activities to:

- determine the nature, extent, and cause of adult illiteracy;
- identify the most cost effective means of reaching the illiterate population; and
- assess the potential ability of new instructional approaches, such as computer-based adult learning programs.

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Mr. Conte: Who will administer these funds, and why?

Mr. Wu: No decisions have been made about the administration of these funds. However, we expect to have participation in the design and conduct of studies and demonstration programs by the Office of Vocational and Adult Education, the Office of Educational Research and Improvement, and the Office of Planning, Budget, and Evaluation.

EDUCATION APPEAL BOARD

Mr. Conte: Mr. Wu, my State of Massachusetts has been involved in a dispute with your office for some five years now over the repayment of some funds. Recently, the Education Appeal Board issued a decision requesting the State to return $60,558. That decision was appealed by the Secretary, but subsequently Massachusetts offered to repay $100,000 as a final settlement. That offer, and a more recent one of even larger proportion have both been turned down by your office. Can you explain to me why it isn't in the Department's best interest to settle this case now, rather than go through a long appeal process, especially when the State has been willing to repay more than double the original appeal board decision?

Mr. Wu: On August 13, 1982, the Assistant Secretary for Vocational and Adult Education issued a final audit determination to the Massachusetts Department of Education (MDE), requesting a refund of $6,061,828. Massachusetts appealed to the Education Appeal Board (EAB) for review, which began proceedings in March, 1985. Prior to March of 1985, the U.S. Department of Education (ED) reviewed a substantial amount of additional documentation submitted by the MDE in an attempt to reduce the audit claim. This cooperative effort between the two parties resulted in four separate reductions lowering the disputed amount by approximately 93 percent. Three additional reductions prior to the filing of the briefs resulted in an overall reduction of 95 percent to $309,083.

On November 21, 1985, the Secretary remanded, not appealed, the EAB's initial decision which held that the State must refund $60,558. The Secretary directed the EAB to reconsider its conclusions on five grants and the issue of records regarding undocumented expenditures. On December 20, 1985, the MDE began the process of negotiating a settlement by offering $100,000 to end the State's audit appeal process prior to the issuance of a new decision by the EAB. After ED proposed a counter-offer of $192,594, the MDE responded by offering $142,297. This was followed, in turn, by ED's most recent counter-offer of $180,000 on April 16, 1985. The State has yet to make a response in the latest round of negotiations.

Because the issue remanded has potential impact on many Department of Education grant programs, and in light of the Secretary's strong language in the remand order, we have considered these factors in the settlement negotiations. Moreover, there exists the additional restraint of settlement concurrence from the Department of Justice for any claim in excess of $50,000. Consequently, we have encouraged the negotiation process in hope of arriving at a settlement figure mutually agreeable to all parties involved.

DEPARTMENT OF EDUCATION

Vocational and Adult Education

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VOCATIONAL AND ADULT EDUCATION

[For carrying out, to the extent not otherwise provided, the Carl D. Perkins Vocational Education Act, and the Adult Education Act, $940,777,000 which shall become available for obligation on July 1, 1986, and shall remain available until September 30, 1987: Provided, That $10,000,000 shall be available for title IV, parts A and C of the Carl D. Perkins Vocational Education Act including $6,000,000 for section 404 of said title:[1] Provided further, That $7,300,000 shall be available for State advisory councils under section 112 of the Carl D. Perkins Vocational Education Act shall be used to provide to each State an amount equal to the amount it received in the previous fiscal year:[2] Provided further, That no State shall receive less under title II of the Carl D. Perkins Vocational Education Act than it received in the previous year:[3] Provided further, That $101,963,000 for the Adult Education Act shall be used to provide to each State an amount equal to the amount it received under said Act in the previous year:[4] Provided further, That $2,300,000 shall be made available for the National Occupational Information Coordinating Committee: Provided further, That $7,500,000 shall be made available to carry out title III-A of that Act and $31,633,000 shall be made available for title III-B of that Act.][5]

For carrying out, to the extent not otherwise provided, the Carl D. Perkins Vocational Education Act, $400,973,841, of which $6,818,037 shall be for title IV, parts A and C of said Act, including $2,000,000 for the National Occupational Information Coordinating Committee; and the remainder shall become available for obligation on July 1, 1987, and shall remain available until September 30, 1988: Provided, That $381,348,467 shall be

VOCATIONAL AND ADULT EDUCATION -- Continued

available for basic grants to States under title II of that Act, of which up to 7 per centum may be reserved for State administration and the remainder of which shall be for part A of that title: Provided further, That $5,807,337 shall be available for Indian and Hawaiian natives programs under section 103 of that Act: Provided further, That $7,000,000 shall be available for State councils under section 112 of that Act: Provided further, That the limitation in section 403(d) of the Carl D. Perkins Vocational Education Act shall not apply to funds appropriated under this Act.

For carrying out, to the extent not otherwise provided, the Adult Education Act, $104,000,000, of which $2,000,000 shall be for projects under section 309 of that Act, and the remainder shall become available for obligation on July 1, 1987, and shall remain available until September 30, 1988. (Department of Education Appropriation Act, 1986.)

Vocational and Adult Education

Explanation of Language Changes

1/ Because title IV is being proposed for current funding, no funds from the 1987 appropriation will be needed to ensure continued funding for section 404. Therefore, this reference has been deleted.

2/ The proviso that each State council be funded at no less than the previous year's level has been deleted so that 1987 funds may be allocated according to the formula in the authorizing statute.

3/ The proviso that no State receive less for title II basic grants than it received in the previous year has been deleted so that 1987 funds may be allocated according to the formula in the authorizing statute and because the funding being proposed for 1987 is less than the amount available in 1986.

4/ The proviso that each State receive the same in Adult Education Act funds as it received in the previous year has been deleted so that funds may be allocated according to the formula in the authorizing statute.

5/ References to title III-A and title III-B have been deleted because no funds are requested for these programs.

Vocational and Adult Education

Language Analysis

Language Provision	Explanation
[...Provided, That $10,000,000 shall be available for title IV, parts A and C of the Carl D. Perkins Vocational Education Act including $6,000,000 for section 404 of said title:	This provision limited funding for title IV to $10,000,000, specified that this funding be used only for parts A (Research) and C (Data Systems), and further specified that of that amount, $6,000,000 be used for the National Center for Research in Vocational Education.
Provided further, That $7,300,000 shall be available for State advisory councils under section 112 of the Carl D. Perkins Vocational Education Act shall be used to provide to each State an amount equal to the amount it received in the previous fiscal year:	This provision specified that each State council receive its previous year's allocation.
Provided further, That no State shall receive less under title II of the Carl D. Perkins Vocational Education Act than it received in the previous year:	This provision specified that each State's basic grant be held harmless with the 1985 appropriation level rather than the 1984 appropriation amount as specified in the Perkins Act.
Provided further, That $101,963,000 for the Adult Education Act shall be used to provide to each State an amount equal to the amount it received under said Act in the previous year:	This provision specifies that each State's grant be held harmless with the 1985 appropriation level rather than the 1984 appropriation amount as required by the Adult Education Act.
Provided further, That $2,300,000 shall be made available for the National Occupational Information Coordinating Committee:	This provision specifies that the National Occupational Information Coordinating Committee receive $2,300,000 rather than the $3,300,000 minimum specified in the Perkins Act.

Vocational and Adult Education

Language Analysis -- Continued

Language Provision	Explanation
Provided further, That $7,500,000 shall be made available to carry out title III-A of that Act and $31,633,000 shall be made available for title III-B of that Act.]	This provision specifies that the vocational education community-based organizations program receive $7,500,000 and the consumer and homemaking education program receive $31,633,000.
...of which $6,818,037 shall be for title IV, parts A and C of said Act, including $2,000,000 for the National Occupational Information Coordinating Committee;	This provision limits funding for title IV to $6,818,037, specifies that this funding be used only for parts A (Research) and C (Data Systems), and further specifies that the National Occupational Information Coordinating Committee receive $2,000,000 instead of the $3,500,000 minimum specified in the Perkins Act.
and the remainder shall become available for obligation on July 1, 1987, and shall remain available until September 30, 1988:	This language provides for all vocational education funds, except those available for title IV of the Perkins Act, to be appropriated on a forward funded basis.
Provided, That $381,348,467 shall be available for basic grants to States under title II of that Act, of which up to 7 per centum may be reserved for State administration and the remainder of which shall be for part A of that title:	This provision specifies that States receive $381,348,467 for basic grants under title II of the Perkins Act, restates the statutory provision that States may reserve up to 7 percent of their basic grants for State administration, and specifies that all of the remainder, instead of 57 percent as specified in the Perkins Act, be used for part A, Vocational Education Opportunities programs.
Provided further, That $5,807,337 shall be available for Indian and Hawaiian natives programs under section 103 of that Act:	This provision specifies that $5,807,337 be used for Indian and Hawaiian natives vocational education programs as authorized by section 103 of the Perkins Act.

Vocational and Adult Education

Language Analysis -- Continued

Language Provision	Explanation
Provided further, That $7,000,000 shall be available for State councils under section 112 of that Act:	This provision specifies that State councils, authorized by section 112 of the Perkins Act, receive $7,000,000.
Provided further, That the limitation in section 403(d) of the Carl D. Perkins Vocational Education Act shall not apply to funds appropriated under this Act.	This provision allows, for fiscal year 1987 only, funding for the National Assessment of Vocational Education to exceed 20 percent of the amount appropriated for title IV, part A. The Perkins Act requires that this assessment be conducted and that a final report be submitted to the Congress no later than January 1, 1989.
...of which $2,000,000 shall be for projects under section 309 of that Act,	This provision specifies that $2,000,000 be used for national discretionary programs of research, development, demonstration, dissemination, and evaluation authorized by section 309 of the Adult Education Act.
and the remainder shall become available for obligation on July 1, 1987, and shall remain available until September 30, 1988.	This provision specifies that funds for grants to States under the Adult Education Act be appropriated on a forward funded basis.

Vocational and Adult Education

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual....................	$831,314,000	$940,777,000	$504,974,000
Permanent.................	7,148,000	7,148,000	7,148,000
Enacted supplemental.......	101,963,000	---	---
Sequester order............	---	-40,760,000	---
Proposed rescission........	---	-210,337,000	---
Subtotal, adjusted appropriation............	940,425,000	696,828,000	512,122,000
Comparative transfer from: Bilingual education for: Bilingual vocational training.................	3,686,000	3,527,000 1/	---
Subtotal, adjusted budget authority.................	944,111,000	700,355,000	512,122,000
Recovery of prior year obligations................	406,000	---	---
Comparative transfer of recovered prior year obligations from: Bilingual education........	827,000	---	---
Comparative unobligated balance, start of year:			
Vocational and adult education..................	57,829,000	140,395,000	---
Bilingual education........	---	2,173,000	---
Comparative unobligated balance, end of year:			
Vocational and adult education..................	-140,395,000	---	---
Bilingual education........	-2,173,000	---	---
Unobligated balance, lapsing....................	-1,994,000	---	---
Total obligations.....	858,611,000 2/	842,923,000	512,122,000

1/ Reflects a sequester amount of $159,000.

2/ The total obligations at the end of fiscal year 1985 include $92,000 contingently obligated under court order.

Vocational and Adult Education

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. Vocational education:				
a. State programs:				
(1) Basic grants..............	$789,386,000	$755,442,000	$582,556,000	$394,161,000
(Smith-Hughes)............	(7,005,000)	(6,704,000)	(6,704,000)	(7,005,000)
(2) Community-based organizations.................	7,500,000	7,178,000	---	---
(3) Consumer and homemaking education...............	31,633,000	30,273,000	---	---
(4) State councils............	7,300,000	6,986,000	6,986,000	7,000,000
b. National programs:				
(1) Research..................	7,843,000	7,506,000	7,506,000	4,461,000
(Smith-Hughes)............	(143,000)	(137,000)	(137,000)	(143,000)
(2) Data systems..............	2,300,000	2,201,000	2,201,000	2,500,000
c. Bilingual vocational training.	---	---	3,527,000	---
Subtotal................	845,962,000	809,586,000	602,776,000	408,122,000
2. Adult education:				
a. Grants to States..............	101,963,000	97,579,000	97,579,000	102,000,000
b. Research, development, and evaluation..................	---	---	---	2,000,000
Subtotal................	101,963,000	97,579,000	97,579,000	104,000,000
Total..............	947,925,000	907,165,000	700,355,000	512,122,000
(Obligations)......	(1,088,320,000)	(1,047,560,000)	(842,923,000)	(512,122,000)

Vocational and Adult Education

Budget Authority by Activity -- Continued

NOTES

1.a.(1) Includes funds from the permanent (Smith-Hughes) appropriation and reflects a proposed rescission of $172,886,000 for Basic grants.

1.a.(2) Reflects a proposed rescission of $7,178,000 for Community-based organizations.

1.a.(3) Reflects a proposed rescission of $30,273,000 for Consumer and homemaking education.

1.b.(1) Includes funds from the permanent (Smith-Hughes) appropriation.

1.c. Columns 1 and 2 exclude funds appropriated in the Bilingual Education account for Bilingual Vocational training.

Vocational and Adult Education

Budget Authority by Object

	1985	1986	1987
Other services................	$5,893,000	$1,013,000	$4,176,000
Grants, subsidies, and contributions...............	938,218,000	699,342,000	507,946,000
Total budget authority by object.............	944,111,000	700,355,000 1/	512,122,000
(Obligations)..........	(858,611,000)	(842,923,000)	(512,122,000)

1/ Reflects a proposed rescission of $210,337,000.

Vocational and Adult Education

Summary of Changes

1986 Estimate	$951,611,000
1986 Sequester order	-40,919,000
1986 Proposed rescission	-210,337,000
Total estimated budget authority	700,355,000
(Obligations)	(842,923,000)
1987 Request	512,122,000
(Obligations)	(512,122,000)
Net change	-188,233,000
(Obligations)	(-330,801,000)

	1986 base 1/	Change from base
Increases:		
Program:		
1. Increase in funding for State councils to restore this activity to the 1986 enacted level	$6,986,000	+$14,000
2. Increase in funding for data systems reflects a decrease of $201,000 for the National Occupational Coordinating Committee and an increase of $500,000 for the Vocational Education Data System	2,201,000	+299,000
3. Increase in funding for Adult education grants to States to restore this activity to its 1985 and 1986 enacted levels	97,579,000	+4,421,000
4. Increase in Adult education research, development, and evaluation to fund this activity for the first time	—	+2,000,000
Subtotal		+6,734,000
Decreases:		
Program:		
1. Decrease in Basic grants to meet deficit reduction targets and focus available funds on higher priority programs	582,556,000 2/	-188,395,000

Vocational and Adult Education

Summary of Changes -- Continued

	1986 base 1/	Change from base
Decreases:		
Program:		
2. Decrease in Research to reflect one-time savings by changing from a forward- to a current-funding basis while still allowing sufficient funds to complete the Congressionally-mandated national study of vocational education....................	$7,506,000	-$3,045,000
3. Termination of direct Federal support for Bilingual vocational training because it duplicates funding from other sources, including vocational education Basic grants........	3,527,000	-3,527,000
Subtotal................		-194,967,000
Net change.............		-188,233,000

1/ Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

2/ Reflects a proposed rescission of $172,886,000 for Basic grants.

Vocational and Adult Education

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. Vocational education:			
a. State programs:			
(1) Basic grants	CDPVEA, Title II	Indefinite	Indefinite
(2) Community-based organization programs	CDPVEA, Title III, Part A	Indefinite	Indefinite
(3) Consumer and homemaking education	CDPVEA, Title III, Part B	Indefinite	Indefinite
(4) State councils	CDPVEA, Section 112	Indefinite	Indefinite
b. National programs:			
(1) Research	CDPVEA, Title IV, Part A	Indefinite 1/	Indefinite 1/
(2) Data systems	CDPVEA, Title IV, Part C	Indefinite 1/	Indefinite 1/
c. Bilingual vocational training	CDPVEA, Title IV, Part E	Indefinite	Indefinite
d. Permanent appropriation	Smith-Hughes Act	$7,148,000	$7,148,000
2. Adult education:			
a. Grants to States	AEA, Section 304	Indefinite	Indefinite
b. Research, development, and evaluation	AEA, Section 309	Indefinite 2/	Indefinite 2/
Unfunded authorizations:			
Adult training, retraining, and employment development	CDPVEA, Title III, Part C	Indefinite	Indefinite
Comprehensive career guidance and counseling	CDPVEA, Title III, Part D	Indefinite	Indefinite
Industry education partnership for high technology training	CDPVEA, Title III, Part E	Indefinite	Indefinite

Vocational and Adult Education

Authorizing Legislation -- Continued

Activity	Legislative Citation	1986 Authorized	1987 Authorized
Unfunded authorizations: (continued)			
Demonstrations	CDPVEA, Title IV, Part B	Indefinite [1/]	Indefinite [1/]
Total definite authorization........		$7,148,000	$7,148,000

1/ Under the Carl D. Perkins Vocational Education Act, of the combined amounts appropriated for titles I (other than section 112), II, and IV (other than part E), 2 percent is to be set aside for National Programs. Of this amount, 35 percent is to be used for Research, 35 percent for Demonstrations, and 30 percent for Data Systems.

2/ Under the Adult Education Act, the Secretary may reserve up to 5 percent of the appropriation for research, development, and evaluation activities if the overall appropriation is at least $112,000,000.

Vocational and Adult Education

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation 1/
1978	$664,612,000	$722,950,000	$722,950,000	$722,950,000
1979	715,950,000	763,207,000	784,656,000	771,653,000
1980	762,403,000	875,080,000	882,080,000	894,680,000
1981	670,865,000 2/	801,324,000	749,079,000	774,478,000
1982	626,764,000 3/	796,478,000	779,026,000	735,025,000
1983	492,839,000	829,500,000	803,500,000 4/	816,500,000
1984	492,839,000	835,000,000	831,314,000	831,314,000
1985	831,314,000	831,314,000	831,314,000	831,314,000
1985 Suppl.	---	---	148,220,000	101,963,000
1986	831,314,000	933,277,000	946,314,000	940,777,000
1986 Sequester	-40,760,000			
1986 Proposed Rescission	-210,337,000			
1987	504,974,000			

1/ Reflects enacted supplementals, rescissions, and appropriations.
2/ Revised 1981 request submitted in February 1981.
3/ Revised 1982 request submitted in September 1981.
4/ Senate Committee action.

NOTE.--Excludes permanent appropriation of $7,161,000 for fiscal years 1978-84 and $7,148,000 for fiscal years 1985-87. Also exludes amounts from Bilingual Vocational Training appropriated to the Bilingual Education account.

Vocational and Adult Education

Significant Items in Congressional Appropriations Reports

Item	Action taken or to be taken
1986 Senate Report	
National Occupational Information Coordinating Committee	
The Committee directs that $3,500,000 be set aside for support of the National Occupational Information Coordinating Committee (NOICC) as provided by the Perkins Act.	This directive was superseded by Conference Committee action, which reduced funding for NOICC to $2,300,000. The sequester order further reduces NOICC funds to $2,201,000.
1986 Conference Report	
1985 Supplemental Appropriation	
The conferees wish to make clear that the $100 million which was included in the fiscal year 1985 supplemental appropriations bill (P.L. 99-88) for the Vocational Education Act, does include $1.5 million for the Indian and Native Hawaiian "set aside", as provided by section 103 of the authorization's statute; and $2 million for activities described in title IV (other than part E) of the Act, relating to National programs.	The Department complied with this directive and allocated $1.5 million from the 1985 supplemental appropriation to Indian and Hawaiian Natives programs and $2 million to National programs.
Displaced Workers Program	
Further, it is the intent of the conferees that within funds available for fiscal year 1986 the Department of Education should follow the intent of Congress to expand the Displaced Workers program that is currently in operation, which meets the intent of Section 415 of the Carl D. Perkins Vocational Education Act.	Since the 1986 appropriation language precludes the use of fiscal year 1986 funds for this purpose and since this directive was a continuation of the paragraph concerning allocation of the fiscal year 1985 supplemental appropriation, the Department treated this language as a further directive on the use of the 1985 supplemental funds, which are available for activities that take place in fiscal year 1986.

Vocational and Adult Education

Significant Items in
Congressional Appropriations Reports — Continued

Item	Action taken or to be taken
1986 Conference Report — Continued	
Displaced Workers Program -- Continued	
	After allocating $2 million to National programs, the Department was required to follow the provisions of the Perkins Act relating to these funds and, therefore, had to distribute them as follows: $600,037 was used to bring funding for the National Center for Research in Vocational Education up to the statutory minimum of $6 million and $1.257 million was used to bring the National Occupational Information Coordinating Committee up to its statutory minimum of $3.5 million, leaving $142,963 for part B of title IV. The Department is using this entire amount to continue the displaced workers program authorized by section 413 of title IV, part B, as directed by the conferees.

Vocational and Adult Education

Account Summary

	1985	1986	1987
1. Vocational education:			
a. State programs:			
(1) Basic grants 1/...	$789,508,000	$582,556,000	$394,161,000
(Smith-Hughes)....	(7,005,000)	(6,704,000)	(7,005,000)
(2) Community-based organizations....	---	---	---
(3) Consumer and home-making education.	31,633,000	---	---
(4) State councils....	7,000,000	6,986,000	7,000,000
b. National programs:			
(1) Research 1/.......	6,678,000	7,506,000	4,461,000
(Smith-Hughes)....	(143,000)	(137,000)	(143,000)
(2) Demonstrations....	143,000	---	---
(3) Data systems......	3,500,000	2,201,000	2,500,000
c. Bilingual vocational training.............	3,686,000	3,527,000	---
Subtotal.........	842,148,000	602,776,000	408,122,000
2. Adult education:			
a. Grants to States......	101,963,000	97,579,000	102,000,000
b. Research, development, and evaluation.......	---	---	2,000,000
Subtotal.........	101,963,000	97,579,000	104,000,000
Total budget authority...........	944,111,000	700,355,000 2/	512,122,000
(Obligations)........	(858,611,000)	(842,923,000)	(512,122,000)

1/ Amounts include funds from the permanent (Smith-Hughes) appropriation, as shown.

2/ Reflects a reduction of $40,760,000 for vocational and adult education and $159,000 for Bilingual vocational training pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; and a proposed rescission of $210,337,000.

The Vocational and Adult Education appropriation supports programs designed to train a skilled and literate workforce. These funds are used by State and local administrators to expand and improve vocational education programs, ensure equal opportunity in vocational education to traditionally underserved populations, enable functionally illiterate adults to acquire basic skills, and assist adults in acquiring a high school diploma or its equivalent.

Vocational and Adult Education

Account Summary -- Continued

The Federal vocational education programs have recently undergone significant changes with the passage of the Carl D. Perkins Vocational Education Act, which is being implemented for the first time during the 1985-86 school year. Under the Perkins Act, States may use up to 7 percent of their basic grant funds for State administration. The remainder is divided between two major programs. Fifty-seven percent of the remainder must be used for support of vocational education services targeted on six groups: the handicapped; the disadvantaged; adults in need of training or retraining; single parents and homemakers; participants in programs to eliminate sex bias and stereotyping; and criminal offenders in correctional institutions. The remaining 43 percent is to be used for vocational education program improvement, innovation, and expansion and may not be used merely to maintain regular vocational education programs.

The Adult Education Act authorizes programs that assist educationally disadvantaged adults in developing basic skills and in obtaining high school equivalency certificates. During the last decade, all Federal funding for Adult Education has been provided in the form of grants to States. State directors estimated that 2.6 million adults participated in the State programs in 1983-84. Each State must use at least 80 percent of its Federal grant for adult basic education; remaining funds may be used for high school equivalency programs. State and local contributions for adult education have increased from 25 percent in 1969-70 to 56 percent in 1981-82.

The overall budget request for vocational and adult education is $512,122,000, a reduction of $188,233,000 from the 1986 revised estimate. This amount reflects both a decrease of $194,654,000 from vocational programs and an increase of $6,421,000 for adult programs.

Funding for vocational education is proposed for reduction because: the Department supports the move underway across the States to strengthen academic education for all students; employers are calling for less narrow vocationalism and better training in basic, academic areas; and substantial funds for vocational training are available outside this program.

Because the Department believes that programs to provide adult literacy are a high priority, Adult Education would be increased in 1987 to its highest funding level ever. Grants to States would be funded at $102,000,000, an increase of $4,421,000 over the amount available for 1986 and a restoration to approximately the 1985 level.

The $2 million increase requested for Adult Education would be used for nationally significant research, development, and evaluation projects. As adult illiteracy has come to the fore as a national concern, there has been an increasing need for information on the nature and extent of illiteracy, on the most cost-effective means of reaching the illiterate population, and on the potential utility of new approaches such as computer-based adult learning programs. The $2,000,000 requested for discretionary projects in 1987 will permit commencement of some of the most needed nationally significant studies to obtain this information.

Vocational and Adult Education

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1. Vocational education: a. State programs: (1) Basic grants
(Carl D. Perkins Vocational Education Act, Title II)

1987 Authorization: Indefinite

Budget Authority:

1986 1/ Appropriation	1986 Available after 2/ Sequestering	1986 Revised 2/ Estimate	1987 1/	Increase or Decrease
$789,386,000	$755,442,000	$582,556,000	$394,161,000	-$188,395,000

1/ Includes $7,005,000 from the permanent (Smith-Hughes) appropriation.
2/ Includes $6,704,000 from the permanent (Smith-Hughes) appropriation.

Purpose and Method of Operation

The purpose of the Basic Grants program is to assist States, Outlying Areas, and Indian tribes in expanding and improving their programs of vocational education and providing equal opportunity in vocational education to historically underserved populations. The populations assisted by Basic Grants range from secondary students in prevocational courses through adults who need retraining to adapt to changing technological and labor market conditions.

Under the new Carl D. Perkins Vocational Education Act, funds are allocated to the States and Outlying Areas according to a formula based on State per capita incomes for the three most recent fiscal years and on State populations in three age cohorts (15-19, 20-24, and 25-65) in the preceding fiscal year. Each State must receive at least its fiscal year 1984 formula allocation. 1/ If additional funds are available after this "hold-harmless" requirement has been met, no State may receive less than 1/2 percent of the total amount available for allocation and no Outlying Area may receive less than $200,000. However, no State may, as a result of this last provision, receive more than 150 percent of what it received in the previous fiscal year.

Of the funds a State receives for Basic Grants:

1/ The fiscal year 1986 appropriations language overrides the authorizing statute by requiring that no State receive less for Basic Grants than it did in 1985. Since both the 1986 enacted appropriation and the amount available after sequestering are less than the amount available in 1985, each State's 1986 allotment will be proportionately reduced. The 1987 funds will be allocated according to the requirements of the Perkins Act.

Purpose and Method of Operation -- continued

- up to 7 percent may be used for State administration.

- 57 percent of the remainder is for Part A, Vocational education opportunities, and must be used as follows:

  - 10 percent for the handicapped;
  - 22 percent for the disadvantaged, including the limited English proficient;
  - 12 percent for adult training and retraining;
  - 8.5 percent for single parents and homemakers;
  - 3.5 percent for programs to eliminate sex bias and stereotyping; and
  - 1 percent for programs in correctional institutions.

- 43 percent of the remainder is for Part B, vocational education improvment, innovation, and expansion, of which:

  - No funds may be used merely to maintain existing programs;
  - Some funds must be used for personnel development; and
  - Support for guidance and counseling must be maintained at least at the 1984 level.

At the Federal level, 1 1/2 percent of the combined appropriations for titles I (other than section 112), II, and IV (other than part E) is set aside for Indian and Hawaiian Natives programs. Of this amount, 1/4 percent is used to serve the Hawaiian Natives.

Grants under the Indian program are awarded on a competitive basis to federally recognized Indian tribes for services that are in addition to services Indians receive under other provisions of the Perkins Act, such as Basic Grants to States. Funds under the Hawaiian Natives program are also awarded on a competitive basis to organizations primarily serving and representing Hawaiian Natives. The organizations must be recognized by the Governor of the State of Hawaii. Funding under this program is in addition to the funds received through the formula-based Basic Grant program by the State of Hawaii.

This is a forward-funded program. Fiscal year 1987 funds will become available on July 1, 1987 and remain available for obligation until September 30, 1988.

Accomplishments

The first grants under the Perkins Act were awarded to the States July 1, 1985 for activities that are taking place during school year

Accomplishments -- continued

1985-86. Because the new Basic Grants program is very different from Basic Grants under the antecedent Vocational Education Act, it is premature to speak of accomplishments of the program. A common criticism of the expired Basic Grants program was that, although a number of priority areas were identified in the legislation, most funds tended to be used for maintenance of regular vocational education programs. Because the new Act generally prohibits the use of funds for maintenance, States are having to use a much higher proportion of the money for the key priorities of ensuring access and improving quality.

Enrollments -- Vocational Education Data System (VEDS) data for 1982-83, the most recent year for which such data are currently available, indicate that there were some 13 million enrollments in programs supported with Basic Grants. However, according to the Census Bureau's Current Population Survey, there are about 2 million persons enrolled in postsecondary vocational programs and data from the Department of Education's High School and Beyond Study indicate that there may be as few as 3.9 million vocational students at the secondary level. The combined data from these two sources indicate that total vocational enrollment could be as low as 5.9 million, or less than half the VEDS number. 1/

Expenditures -- Financial data from States' Financial Status Reports have been aggregated for program year 1983-84. These data indicate that the States expended some $639 million in Basic Grants funds, which was matched by over $7.8 billion in State and local contributions. Approximately 70 percent of the Federal money was used for "vocational programs," and State and local administration consumed another 8.5 percent. Other activities that accounted for at least one percent of the expenditures were cooperative education (2.5 percent), staff development (3.7 percent), guidance (5.1 percent), and industrial arts (1.0 percent).

Indian and Hawaiian Natives Programs -- Fiscal year 1985 funds from the Department of Education are supporting 43 tribal projects that expect to train approximately 2,500 participants. The program aims to increase job placement rates and promote linkage with tribal economic development plans.

1/ Early in 1983, the Department suspended collection of VEDS data because of continuing problems with the VEDS system. More specifically, the system was characterized by double-counting of enrollments, differences in program and other definitions among States, radical shifts from year to year in State-reported totals, and disparities between VEDS enrollment counts and external surveys. Because the Perkins Act mandates the operation of a vocational education data system, the Department is developing a system to take the place of VEDS. Until that system is operational, current data on operations of the Basic Grants program will not be available.

Accomplishments -- Continued

The Hawaiian Natives program is new with the Perkins Act and is being funded for the first time out of the 1985 appropriation. The Act requires that grantees be limited to organizations that primarily serve and represent Hawaiian Natives and that are recognized by the Governor of Hawaii. Since the Governor has agreed to recognize only one organization -- Alu Like Inc., in Honolulu -- only one grant is being awarded. However, the grantee is issuing sub-awards to a network of 20 participating organizations in local communities. These organizations are providing occupational training, placement, and counseling in such occupations as home health aides, small business management, and service occupations. About 1,000 persons are receiving training.

1987 Budget Proposal

The fiscal year 1987 request under the Carl D. Perkins Vocational Education Act for Basic Grants is $387,156,000, a decrease of $188,696,000 from the 1986 revised level. Under this request, combined with $7,005,000 from the permanent (Smith-Hughes) appropriation, a total of $394,161,000 will be available for the Basic Grants activity. Of this amount, $4,929,000 will be reserved for the Indian program, $986,000 will be reserved for the Hawaiian Natives program and $388,246,000 will be allocated to the States.

Vocational education has a long, although ebbing, tradition of stereotyping and providing inferior services to the disadvantaged, the handicapped, women, and other "non-traditional" students. Under the Perkins Act, a portion of the funds provided to States is used to provide better opportunities for these students. In accordance with the Department's priority of protecting educational opportunities for these populations, the budget would require that virtually all of the limited resources provided to the States for vocational education be used to fund the "Vocational Education Opportunities" component of the Perkins Act, which is targeted exclusively on special populations. Percentage set-asides for each of these populations would be maintained in the same proportional relationship to each other as that required by the Perkins Act. Assuming that States reserve the full 7 percent allowable for State administration, the State Basic Grant funds would be used as follows:

o State administration	$27,177,000
o Handicapped	63,345,000
o Disadvantaged, including limited English proficient	139,360,000
o Adult training and retraining	76,015,000
o Single parents and homemakers	53,844,000
o Sex equity	22,171,000
o Correctional institutions	6,334,000
Total	388,246,000

Vocational and Adult Education

1. Vocational education: a. State programs: (1) Basic grants

1987 Budget Proposal -- Continued

The reduction in vocational education programs is proposed for several reasons:

- The primary importance, at the secondary school level, of basic, academic education — In its report, A Nation At Risk, the National Commission on Excellence in Education recommended that all high school students, not just the college-bound, take four years of English, four years of mathematics, three years of science, three years of social studies, and one-half year of computer science. Other major study commissions, including those sponsored by private employers, have echoed this conclusion about the primacy of basic, academic instruction. In response, more and more States are raising high school graduation standards in the core academic subjects. The Department fully supports this move to ensure that all high school graduates possess the basic skills, reasoning and analytic abilities, and broad knowledge they will need to succeed in the modern workplace as well as in other aspects of their lives. It follows that support for programs that leave students less time for the core curriculum should be a lower Department priority.

- The availability of substantial funds for vocational education outside this program — The Federal Government has been contributing to vocational education programs since the early part of the century. Although Federal support has grown from the initial $1.7 million appropriation under the Smith-Hughes Act to the current $850 million level, it is now a small part of the total vocational education enterprise. State and local governments spend about $10 for every Federal dollar spent on vocational education. In addition, the Department of Labor spends about $3 billion on job training programs and corporations spend an additional $30-40 billion on training programs for their employees.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
State grants (Including Outlying Areas):				
Number of grants	57	57	57	57
Average grant	$13,643,000	$13,052,000	$10,064,000	$6,811,000
State administration	54,434,000	52,078,000	40,157,000	27,177,000
Part A:				
Handicapped	72,320,000	69,189,000	69,189,000	63,345,000
Disadvantaged, including LEP	159,104,000	152,215,000	152,215,000	139,360,000

Vocational and Adult Education

1. Vocational education: a. State programs: (1) Basic grants

Impact Data -- Continued

	1985	1986 after Sequestering	1986 Revised	1987
Adult training and retraining	86,783,000	83,027 000	83,027,000	76,015,000
Single parents and homemakers	61,472,000	58,810,000	58,810,000	53,844,000
Sex equity	25,312,000	24,216,000	24,216,000	22,171,000
Correctional institutions	7,232,000	6,919,000	6,919,000	6,334,000
Subtotal, Part A	412,223,000	394,376,000	394,376,000	361,069,000
Part B	310,976,000	297,511,000	139,139,000	---
Indian program	9,896,000	9,564,000	7,403,000	4,929,000
Hawaiian Natives program	1,979,000	1,913,000	1,481,000	986,000
Total	789,508,000	755,442,000	582,556,000	394,161,000

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1. Vocational education: a. State programs: (2) Community-based organizations
(Carl D. Perkins Vocational Education Act, Title III, Part A)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$7,500,000	$7,178,000	---	---	---

Purpose and Method of Operation

Title III, Part A of the Perkins Act authorizes States to provide financial assistance to joint programs of eligible recipients and community-based organizations within the State for the conduct of the following vocational education services and activities:

- Outreach programs to facilitate the entrance of youth into a program of transitional services and subsequent entrance into vocational education, employment, or other education and training;
- Transitional services such as attitudinal and motivational prevocational training programs;
- Prevocational educational preparation and basic skills development conducted in cooperation with business concerns;
- Special prevocational preparation programs targeted to inner-city youth, non-English speaking youth, Appalachian youth, and the youth of other urban and rural areas having a high density of poverty who need special prevocational education programs;
- Career intern programs;
- Assessment of students' needs in relation to vocational education and jobs; and
- Guidance and counseling to assist students with occupational choices and with the selection of a vocational education program.

Funds are distributed to States and Outlying Areas under the same formula as that used for Basic Grants. This is a forward funded program. Fiscal year 1986 funds would become available on July 1, 1986 and remain available until September 30, 1987.

Vocational and Adult Education

1. Vocational education: a. State programs: (2) Community-based organizations

Accomplishments

Fiscal year 1986 is the first year funds have been appropriated for community-based organizations. Since these funds are not available for obligation until July 1, 1986, no awards have been made to the States. The Department has proposed a rescission for the 1986 funds.

1987 Budget Proposal

No funds are proposed for 1987, a continuation of the 1986 revised policy of terminating direct Federal support for this program. States and localities are free to use their Basic Grant funds for activities authorized by the Community-Based Organizations program if they wish.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Number of grants	---	57	---	---
Average grant	---	$126,000	---	---

1. Vocational Education: a. State programs: (3) Consumer and homemaking education
(Carl D. Perkins Vocational Education Act, Title III, Part B)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$31,633,000	$30,273,000	---	---	---

Purpose and Method of Operation

The Consumer and Homemaking Education program supports grants to the States and Outlying Areas to supplement State and local efforts to prepare youths and adults for the occupation of homemaker.

Grants are allocated to States and Outlying Areas under the same formula used for Basic Grants. These funds can be used for instruction in the areas of food and nutrition, consumer education, family living and parenthood education, child development and guidance, housing, home management (including resource management), and clothing and textiles. States are also encouraged to use funds to serve special-needs populations, to eliminate sex bias and stereotyping, and to provide ancillary services (including outreach) to ensure the quality and effectiveness of consumer and homemaking programs.

One-third of each State's allotment must be used in economically depressed areas or areas with high rates of unemployment. Up to 6 percent may be used for State administration.

This has been a forward-funded program. Fiscal year 1986 funds would become available on July 1, 1986 and remain available for obligation until September 30, 1987.

Accomplishments

Vocational Education Data System (VEDS) data for 1982-83 indicate that there were approximately 2.7 million enrollments in federally supported consumer and homemaking programs. According to the Department's High School and Beyond Study, among vocational education students, females account for 80 percent of the enrollments in consumer and homemaking courses, taking on average the equivalent of 1.2 years of courses. Females in the general curriculum take an average of 1.4 years, while general

Accomplishments -- continued

curriculum males take less than half a year. In the academic curriculum, males and females combined take less than half a year, although females account for double the number of enrollments as males.

1987 Budget Proposal

The Department continues to believe that direct, categorical funding for this program should be terminated on the ground that, just as the Federal Government does not pay directly for the teaching of such subjects as mechanical drawing, world history, or fine arts, so it is equally inappropriate for it to pay directly for consumer and homemaking classes. States and localities that wish to offer these classes to their students can pay for them with State and local funds or, if they wish to use Federal funds, may do so with their vocational education Basic Grants.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Number of grants	57	57	---	---
Average grant	$555,000	$531,000	---	---

Vocational and Adult Education

1. Vocational Education: a. State programs: (4) State councils (Carl D. Perkins Vocational Education Act, Section 112)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$7,300,000	$6,986,000	$7,000,000	+$14,000

Purpose and Method of Operation

Under the Carl D. Perkins Vocational Education Act, States and Outlying Areas are required to establish State councils in order to receive Federal vocational education funds. The councils assist in the development and evaluation of State vocational education plans and policies.

Each Outlying Area receives $50,000. For the States, D.C., and Puerto Rico, funds are allocated to the councils under the same formula as that used for Basic Grants, except that the 1984 hold harmless provision does not apply. No State is to receive less than $120,000 nor more than $225,000.

Each council is made up of 13 members, seven of whom represent the private sector and six who represent secondary and postsecondary vocational education, career guidance and counseling organizations, and persons who have special knowledge of the educational needs of the handicapped, the disadvantaged, women, the limited English proficient, and minorities. Each council is required to review and comment on the State plan, analyze and report on the allocation of funds and the availability of vocational education programs in the State, complete a biennial evaluation of the State's programs, and conduct a number of other activities.

This is a forward-funded program. Fiscal year 1987 funds will become available on July 1, 1987 and remain available for obligation until September 30, 1988.

Accomplishments

The Perkins Act as originally passed did not authorize councils for the Outlying Areas. Therefore, only councils in the States, D.C., and Puerto Rico received fiscal year 1985 funds. The Congress subsequently amended the law, and Outlying Areas will receive State council funding from the fiscal year 1986 appropriation. These funds will be available July 1, 1986.

Accomplishments -- Continued

For 1986, appropriation language specifies that no State Council shall receive less than it did in 1985. Since the amount of funds available in 1986 is less than the 1985 amount, each State's allotment will be proportionately reduced. The amount for each Outlying Area will be reduced from its statutory level of $50,000.

1987 Budget Proposal

For 1987, $7,000,000 is requested for State councils, a $14,000 increase over the amount available for 1986 after sequestering and the same as the 1985 level. This amount will permit the State councils to continue to carry out their responsibilities under the Perkins Act.

Impact Data	1985	1986	1987
Number of grants	52	57	57
Average grant	$135,000	$123,000	$123,000

1. Vocational Education: b. National programs: (1) Research (Carl D. Perkins Vocational Educaton Act, Title IV, Part A)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$7,843,000 1/	$7,506,000 2/	$4,461,000 1/	-$3,045,000

1/ Includes $143,000 from the permanent (Smith-Hughes) appropriation.
2/ Includes $137,000 from the permanent (Smith-Hughes) appropriation.

Purpose and Method of Operation

The Carl D. Perkins Vocational Education Act authorizes the conduct and dissemination of research that contributes to improving the access of special populations to vocational education, is readily applicable to the vocational setting, and is of practical application to vocational education administrators, counselors, and instructors. Under the terms of the Act, 2 percent of the combined appropriation for Titles I (other than Section 112), II, and IV (other than Part E), is to be reserved for National Programs under Title IV (other than Part E) of this Act. Of this amount, 35 percent is to be allocated to Part A (Research). 1/

Within Part A, at least $6,000,000 is to be made available each year for the National Center for Research in Vocational Education (NCRVE). The Center is authorized to carry out short-term and multi-year projects in applied research and development, leadership development, dissemination, development of information for planning and policy development, technical assistance, and evaluation.

Part A also requires the Department to undertake a national assessment of vocational education programs carried out under the Act. This assessment is to cover such areas as the services and activities provided (including services to special-needs individuals), the impact of the Act in modernizing the Nation's vocational education system, and the coordination of vocational education with employment training and economic development activities in the States. Preliminary results of this assessment are due in January and July 1988, and a final report is due by January 1, 1989. Up to 20 percent of the Research money appropriated in any year may be used for the assessment. (Appropriation language is being proposed to override this 20 percent limitation for 1987.)

1/ The 1986 appropriations language overrides these provisions by appropriating $10,000,000 for Title IV and specifying that the funds are to be used only for Part A (Research) and Part C (Data Systems).

Purpose and Method of Operation -- Continued

In addition to NCRVE and the national assessment, Part A also authorizes the Department to undertake special research projects as part of a coordinated effort to improve the quality of vocational education.

While the 1986 funds for National Programs were appropriated on a forward funded basis, the 1987 proposal requests current funding. Fiscal year 1987 funds will, therefore, become available on October 1, 1986 and will remain available for obligation until September 30, 1987.

Accomplishments

Under the Research authority, the Department currently supports the National Center for Research in Vocational Education, six regional Curriculum Coordination Centers, and the National Assessment of Vocational Education.

National Center for Research in Vocational Education — NCRVE completed the third year of its five-year contract in January, 1986. Under the terms of the Perkins Act, awards for the remaining two years will be grants instead of contracts. Highlights of the third year of activity include:

- Applied research and development studies on analysis of students' basic skills performance in selected instructional delivery systems;
- Development of performance-based modules for teachers of adults, development of strategies to facilitate the post-employment adjustment of displaced workers, and updating of a training manual for use by State sex equity personnel;
- Development of a guide for coordinating secondary and postsecondary technical vocational education curricula, as well as a system for adult career development, assessment, and planning; and
- More than 80 leadership development workshops in 35 States.

Curriculum Coordination Centers — Since 1972, the Department of Education has provided support for the operation of a national network for curriculum coordination in vocational and technical education. This discretionary program includes six regional Curriculum Coordination Centers and a network of State liaison representatives, whose time is donated by State departments of vocational education to participate in network activities. The broad purpose of the program is to provide a mechanism for sharing information on vocational curriculum development activities, increase the transportability of curriculum materials, and enhance the quality of State and local curriculum development efforts.

Accomplishments -- Continued

A recently completed study, conducted for the Department by Advanced Technology and Policy Studies Associates, Inc., analyzed the operations, management, and impacts of the network in addressing its purpose. Data collection activities included: case studies of the six Curriculum Coordination Centers, participation in regional meetings of Center staff and State liaison representatives, visits to other organizations involved in vocational education, and telephone interviews with randomly selected State representatives and other State and local vocational educators.

Major findings of the study include the following:

- The major purpose of the network -- to create a structure through which curriculum materials and resources would be readily available to practitioners -- has been accomplished.
- The ready availability of materials through the network has resulted in savings of time and money to the States in their curriculum-related activities and has reduced duplication of effort in curriculum-development efforts.
- A chief benefit of the program has been the creation of a nationwide communications network that helped spread curriculum materials and resources, as well as new instructional approaches and technologies, to vocational educators at State and local level.
- The Federal investment in the program has leveraged a considerable amount of State support for the Centers and network, including State funds and resources for individual Centers and the donation of staff time for conduct of network activities.

National Assessment of Vocational Education — The Department began one activity in 1985 and will sponsor two additional activities in 1986 to serve as preliminary components for the congressionally mandated National Assessment of Vocational Education. These efforts will, as a group, develop issues for national investigation, set up data bases, and provide descriptive information about programs supported by the Perkins Act. They include the following:

- A nine-State implementation study (begun in FY 1985 and continuing through FY 1986) is examining the context of vocational education within each State and the relationships between vocational education and educational reform. More specifically, the first year of the implementation study will describe in detail the processes and procedures States are developing to implement the requirements of the Perkins Act. The study will also provide an analysis of the areas of the legislation that are causing particular concerns or problems.

Vocational and Adult Education

1. Vocational Education: b. National programs: (1) Research

Accomplishments -- Continued

This study is being conducted under contract with E. H. White and Co. Case study workers are currently collecting data at the State level. The focus in the second year will shift from State-level implementation issues to local areas.

- A design conference will be sponsored in the spring of 1986, to invite experts from various disciplines and representing various organizations to advise the Department about specific issues related to the design of the national assessment study. The major purposes of the design conference will be to:

  - -- identify the major data bases (including those with longitudinal information) and recent studies available in the area of Vocational Education, and to discuss further information needs, sources, and unresolved issues;

  - -- commission "state-of-the-art" papers on what is known about the study areas in the congressional mandate;

  - -- organize the nine study areas in the statutory mandate into a research and evaluation framework for the national assessment. For instance, the design conference will identify issues relating to:

    - the Perkins Act, its implementation and its effects;

    - vocational education in general, including State and local reform efforts in the area;

    - the coordination of vocational education with employment training programs;

    - demographic trends and projections of labor market needs and how they relate to public and private sector vocational education and training programs.

- A technical support contract will be issued. The contractor will be available for the duration of the National Assessment to:

  - -- acquire, edit, analyze, and prepare reports based on the data bases identified during the period subsequent to the design conference;

  - -- synthesize data collected from other studies, such as those conducted as part of this assessment or those collected by other offices or departments (e.g., Department of Labor Job Training Partnership Act data);

Vocational and Adult Education

1. Vocational Education: b. National programs: (1) Research

Accomplishments -- Continued

-- conduct short-term data collection and prepare analysis reports as required to address specific issues that arise during the national assessment and that are not addressed in other evaluations.

1987 Budget Proposal

For 1987, $4,461,000 (including $143,000 from the permanent appropriation) is requested. Although this amount is a $3,045,000 decrease from the amount available for 1986, it will provide sufficient funds to accomplish the statutory research mandates while permitting a one-year savings to aid in budget reduction efforts. This budget proposal centers on the request to shift funding for this activity from a forward to a current funded basis.

Under a current funded appropriation in 1987, the Department will be able to skip a fiscal year of funding for the National Center for Research in Vocational Education (NCRVE) with no break in NCRVE's funding continuity, since 1988 funds will be available in plenty of time to award the next grant. A chronology of the proposed pattern of awards to the Center follows:

NCRVE Contract/Grant Awarded	Source of Funds
January 1984	FY 1983 Appropriation
January 1985	FY 1984 Appropriation
January 1986	FY 1985 Appropriation
January 1987	FY 1986 Appropriation
January 1988	FY 1988 Appropriation

This shift to current funding is the only way to maintain continuity of funding for NCRVE and to ensure sufficient funding for the congressionally mandated study without a substantial increase in the appropriation level.

Within the amount requested:

- The Curriculum Coordination Centers would be restored to their pre-sequestration funding level of $785,000.

- The National Assessment of Vocational Education and related studies would receive $3,676,000. This amount should enable the Department to complete the study. A detailed planning document for the Assessment will be available for discussion with the Congress during the summer of 1986. This document will set forth the study objectives, the research issues, and some specific projects designed to provide necessary information for the Assessment.

Vocational and Adult Education

1. Vocational Education: b. National programs: (1) Research

1987 Budget Proposal -- Continued

The study staff will consult with the Senate and House committees that have authorizing or appropriation responsibilities for vocational education before the planning document is completed to ensure that the study plan is comprehensive and meets the needs of Congress.

Impact Data	1985	1986	1987
NCRVE	$6,000,000 1/	$5,742,000	---
CCCs	785,000	751,000	$785,000
National Assessment:			
9-State study	178,000	190,000	---
Design conference	70,000	---	---
Technical support	100,000	200,000	676,000
Field-based studies	---	623,000	3,000,000

1/ A portion of this amount comes from funds carried over from previous years' appropriations.

1. Vocational education: b. National programs: (2) Data systems (Carl D. Perkins Vocational Educaton Act, Title IV, Part C)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$2,300,000	$2,201,000	$2,500,000	+$299,000

Purpose and Method of Operation

Title IV, Part C of the Carl D. Perkins Vocational Education Act authorizes a National Occupational Information Coordinating Committee (NOICC) and a national vocational information data reporting and accounting system.

NOICC -- NOICC has been jointly funded with the Department of Labor since fiscal year 1978. In the past 2 years it has also received funds from the Department of Defense for projects related to occupational information for recruiting purposes. The Perkins Act sets minimum funding for NOICC at $3,500,000. However, 1986 appropriations language overrides this provision and earmarks $2,300,000 for this activity.

The Committee is composed of subcabinent officials of the Departments of Education, Labor, Agriculture, Commerce, and Defense. NOICC and its affiliated State Occupational Information Coordinating Committees (SOICCs) assist students, educators, and vocational education program planners in assessing current and future labor market conditions by improving and disseminating job information. Its activities include: improving the use of employment data by vocational educators, employment training administrators, and other users; developing and implementing an occupational information system that meets the common information needs of vocational education and employment training planners; and conducting studies on the effects of technological change on new and existing occupational areas. NOICC also provides funding to SOICCs, which develop and implement occupational information systems in the States.

Vocational Education Data System -- Early in 1983, the Department suspended collection of vocational education data because of continuing problems with the Vocational Education Data System (VEDS). More specifically, the system was characterized by doublecounting enrollments, differences in program and other definitions among States, radical shifts from year to year in State-reported totals, and disparities between VEDS enrollment counts and external surveys. The Perkins Act mandates the operation of a

Purpose and Method of Operation -- Continued

vocational education data system and the Department is currently developing a system to take the place of VEDS. The system will include information on vocational education students (including information concerning race, sex, and handicapping condition), programs, program completers and leavers, placement and followup, staff, facilities, and expenditures in relation to the principal purposes of this Act.

The Perkins Act further specifies that the vocational education data system include information from a biennial survey on access to programs for handicapped secondary school students. The information is to be in 4 digit detail as defined in "A Classification of Instructional Programs," published by the Department's Center for Statistics, and is to include data on total handicapped enrollment by program, by type of instructional setting and by type of handicapping condition.

The new data system will differ from its predecessor in several important respects. First, to improve the quality of data and to reduce the burden of collecting them, the system will rely heavily on sampling rather than surveying the full universe of providers of vocational education programs. Second, the national collection will no longer be confined to using data collected by the States. Third, instead of mandating annual collection of all vocational education data, the new legislation gives wide discretion to the Secretary of Education to determine the scope, structure, and frequency of data collections. The Secretary, in consultation with Congress, is to determine the number and types of vocational education institutions to be sampled, the appropriate methodologies, sample sizes, appropriate analyses, and the frequency of relevant studies.

In the past, funding for National Programs, including Data Systems, has been appropriated on a forward funded basis with funds not becoming available until July of the fiscal year in which they are appropriated. For 1987, the Department is requesting current funding for this activity. This would mean that funds will become available October 1, 1986 and will remain available until September 30, 1987. This change will not alter the funding schedule for NOICC, which will continue to receive its funds in the late summer.

Accomplishments

NOICC — During the fiscal year 1985, its eighth year of operation, NOICC achieved the following major accomplishments:

- Awarded special purpose grants to 14 States to implement microcomputer occupational information delivery systems to meet needs of State and local planners and administrators of employment and vocational training programs.

Accomplishments -- Continued

- o Awarded grants to 6 States to incorporate information on military occupations in statewide Career Information Delivery Systems. Forty-three States now have these systems.

- o Continued to support participation of States in the Improved Career Decision Making program, which is designed to train counselors in the use of occupational and labor market information.

- o Awarded a grant to improve information on occupational wage rates in the construction industry to explore the potential use of such data by the NOICC/SOICC system.

- o Continued a grant to the Iowa SOICC to maintain and update the military and civilian preparations and occupations (VPO) crosswalk tape. The Iowa SOICC provides special reports and computer tapes from the crosswalk to States nationwide.

- o Published a "Military Career Guide," designed for use in recruiting personnel for the armed services and as a guide for vocational counselors at the secondary school level. More than 700,000 copies of the guide have been disseminated by the Department of Defense.

- o Completed a new publication, "Career Information in the Classroom," which is designed to be used to train subject matter teachers at the secondary school levels on how to use information in the "Occupational Outlook Handbook," published by the Department of Labor.

In addition to the above special projects, NOICC used $4,250,000 of its 1985 funds from the Department of Education and Labor to provide basic assistance to the SOICCs, operating in all States and Outlying Areas. An additional $1.2 million was made available through the fiscal year 1985 supplemental appropriation. Of this amount, approximately $1 million will be used to provide basic assistance to the SOICCs and $250,000 will provide for additional special purpose grants.

Vocational Education Data System — During the past year, staff members from OERI have met with congressional staff members to discuss data collection plans. Starting in 1986, the Department will begin a series of annual reports on "The Condition of Vocational Education."

1987 Budget Proposal

For 1987, the Department is requesting $2,300,000 for Data Systems, an increase of $299,000 over the amount available for 1986.

Vocational and Adult Education

1. Vocational Education: b. National programs: (2) Data systems

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1987 Budget Proposal -- Continued

The request for NOICC is $2,000,000. Although this amount is a decrease of $201,000 from 1986, the sizable one-time increase from the 1985 supplemental appropriation, the fact that States have begun to provide financial and in-kind resources to the SOICCs, and the additional funds now being contributed by the Department of Defense should all combine to ensure that this minor decrease in the Department of Education's contribution will have little if any negative impact.

The request also includes $500,000 for the new vocational education data system. An additional $1,000,000 for this activity is requested under the OERI budget.

1. Vocational education: c. Bilingual vocational training
(Carl D. Perkins Vocational Educaton Act, Title IV, Part E)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$3,686,000	$3,527,000	---	-$3,527,000

Purpose and Method of Operation

Under the Bilingual vocational training program, funds are awarded to State and local educational agencies, institutions of higher education, public and private nonprofit organizations, and private for-profit organizations (contracts only) as follows:

- For the Bilingual Vocational Education program, 75 percent of the total funds are used for postsecondary programs to train limited English proficient persons for jobs. The training must include instruction in English.
- For the instructor training program, 15 percent of the total funds are used to train instructors for bilingual vocational training programs.
- The remaining 10 percent of the funds are used for the development of instructional materials, methods, or techniques for bilingual vocational training.

In fiscal year 1986, this program was included in the Bilingual Education account. It is being transferred to the Vocational and Adult Education account because: (1) it is authorized by the Carl D. Perkins Vocational Education Act and (2) it is administered, along with all the other Perkins Act programs, in the Department's Office of Vocational and Adult Education.

Fiscal year 1986 funds for this program were appropriated on a current funded basis. Funds became available October 1, 1985 and will remain available until September 30, 1986.

Accomplishments

Administrative responsibility for this program was transferred to the Office of Vocational and Adult Education in January 1985. The fiscal year 1986 funds are providing training for about 1,200 students and 150 instructors and support for 3 materials development projects.

Vocational and Adult Education

1. Vocational education: c. Bilingual vocational training

1987 Budget Proposal

No funds are requested for this program because it reaches a very small portion of the eligible population, it is not very cost efficient, and other programs provide substantial amounts of funds to serve the same population.

- In 1982-83, an estimated 109,000 limited English proficient (LEP) persons were served under the Vocational Education Act, about 90 times the number currently reached through this program.

- For 1987, about $139 million of the vocational education Basic Grant funds will be used for disadvantaged students. Of this amount, local grant recipients must use, for LEP students, an amount equal to the proportion LEP students are of the total number of disadvantaged students enrolled.

- In 1982, 700,000 LEP persons were served through the Adult Education Act.

Impact Data	1985	1986	1987
Bilingual vocational education	$2,764,000	$2,645,000	---
Number of projects	12	11	---
Students participating	1,195	1,144	---
Avg. per student cost	$2,313	$2,313	---
Instructor training	$553,000	$529,000	
Number of projects	4	4	---
Instructors trained	150	145	---
Avg. cost per trainee	$3,687	$3,687	---
Materials development	$369,000	$353,000	
Number of projects	3	3	---
Workshop participants	250	250	---

2. Adult education: a. Grants to States
(Adult Education Act, Section 304)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$101,963,000	$97,579,000	$102,000,000	+$4,421,000

Purpose and Method of Operation

The Adult Education Act authorizes grants to the States and Outlying Areas to support programs that assist educationally disadvantaged adults in developing basic skills, including literacy, and in achieving certification of high school equivalency.

Funds are allocated on the following basis: (1) each State first receives $250,000 and each Outlying Area first receives $100,000; (2) any remaining funds are distributed under a formula based on the number of persons age 16 and over in a State who do not have high school diplomas. The Adult Education Act also requires that no State receive less than it did from 1984 funds. However, 1986 appropriations language overrides this provision and changes the hold harmless year to 1985.

Federal funds may support up to 90 percent of each State's program and up to 100 percent of the programs in Outlying Areas. Each State must use at least 80 percent of its funds to help adults achieve basic skills, including literacy. No more than 20 percent may be used for high school equivalency programs. Within this framework, a State may use no more than 20 percent of its funds for institutionalized individuals and must use at least 10 percent for demonstration and teacher training projects, with special attention given to the needs of persons of limited English-speaking ability.

Under the 1984 amendments to the Act, States are now permitted to serve individuals below age 16 who are above the State age of compulsory attendance. The States may also fund adult education projects at private, for profit organizations which: (1) can make a significant contribution to attaining the objectives of the Act; and (2) can provide substantially equivalent education at a lesser cost or can provide services and equipment not available in public institutions. The new amendments also reduce requirements related to State advisory councils (an optional State activity) and clarify the authority of the Secretary to collect data on States' adult education students, programs, expenditures, and goals.

Vocational and Adult Education

2. Adult education: a. Grants to States

Purpose and Method of Operation -- Continued

This is a forward-funded program. Fiscal year 1987 funds will become available on July 1, 1987 and remain available for obligation until September 30, 1988.

Accomplishments

According to data gathered primarily through annual State performance reports, about 2.6 million persons received services under the Adult Education Act in 1983-84, the most recent year for which such data are available. In recent years, about 70 percent of participants in the program have received instruction in basic skills or English as a second language. The remaining 30 percent have received instruction leading to high school equivalency.

Over the last decade, State and local, as well as private sector, support for adult education has increased. The proportion of funding attributable to non-Federal sources rose from an estimated 25 percent in 1969-70 to 66.7 percent in 1982-83, according to latest available State financial reports.

Services are now provided not only through the public schools but through community-based organizations, community colleges, private businesses, churches, and labor unions. A 1980 (Development Associates) study indicates that more than 60 percent of all adult education classes are taking place in churches, libraries, community centers, and other nontraditional sites.

Program need — Preliminary analysis by the Department of Education of data from the 1982 Census Bureau's English Language Proficiency Survey shows that:

- The number of illiterate adults, age 20 and over, is between 17 and 21 million.
- 1/3 of these adults were born abroad and nearly all of these speak a non-English language at home.
- 1/3 of these adults are age 60 and over.
- Of the native English speaking adults who are classified as illiterate, 70 percent are school dropouts.

Additional information will be available in the spring of 1986, when the National Assessment of Educational Progress releases a report on literacy levels of 21- to 25-year olds. This report will contain in-depth educational and personal background information and a profile of the age group in terms of levels of literacy, functionally defined by performance on a variety of tasks.

Accomplishments -- continued

Adult Literacy Initiative -- On September 7, 1983 President Reagan launched the National Adult Literacy Initiative which works to encourage private-sector and volunteer participation in literacy efforts around the Nation. Since its beginning, the Initiative has undertaken a wide variety of assignments, including the following:

- LitLine is a national computer-based communication network on adult literacy. Users send and receive information on literacy activities, including funding sources; legislative and policy initiatives; volunteer, business, and industry efforts; and literacy services for special populations. LitLine is a joint project of the Adult Literacy Initiative and the Mayor's Commission on Literacy in Philadelphia.

- The Federal Employee Literacy Training (FELT) program recruits employees of the Federal Government to serve as volunteers in local literacy programs. To date, more than 1,700 employees have enrolled. They are serving as tutors, teachers' assistants, and support staff in local programs.

- In the College Work-Study Demonstration Project, 65 colleges now assign work-study students to local literacy programs. This effort is intended to develop models that can be disseminated and used by colleges across the country.

- In cooperation with the Initiative, the Federal Interagency Committee on Education (FICE) is collecting information on all Federal adult literacy efforts, which are spread over a number of agencies. This information will be used by Federal managers to identify avenues for program coordination.

- The Initiative has cooperated with many people outside the Department on spreading the word about adult illiteracy. National leaders include Mrs. George Bush, who has made more than 300 speeches on the subject, and Mr. Harold McGraw, who has founded the Business Coalition for Effective Literacy, a particularly effective vehicle for promoting private-sector involvement.

- Through a recent survey, the Initiative has learned that 51 percent of the federally supported adult basic education programs are now using volunteers and an additional 21 percent are planning to use them in the future; 98 percent of locally supported literacy programs report using volunteers and an additional 2 percent are planning to use them. The survey also revealed that in a single month, when 729,000 clients were served by both types of programs, those programs that used volunteers reached a significantly larger percentage (74 percent) of the clients than those that did not use volunteers.

Vocational and Adult Education

2. Adult education: a. Grants to States

1987 Budget Proposal

For 1987, $102,000,000 is requested for Adult Education Grants to States, an increase of $4,421,000 over the amount available in 1986, but a restoration to approximately the same as the 1985 level. There has also been increasing support for adult education programs from State and local governments and from the private sector.

Impact Data 1/	1985	1986	1987
Number of grants	57	57	57
Average grant	$1,789,000	$1,712,000	$1,789,000
Total Enrollment estimated	2,576,000	2,576,000	2,576,000
Basic (Grades 0-8)	1,819,000	1,819,000	1,819,000
Secondary (Grades 9-12)	757,000	757,000	757,000
GED/High School Completions estimated	281,000	281,000	281,000

1/ Figures are straight-line extensions of 1982-83 data collected by the National Association of State Directors of Adult Education. They are not based on any Department of Education data source. The recent amendments to the Adult Education Act give the Department authority to collect data on Adult Education participants. Preliminary data from this source should be available by the fall of 1986. At any resource level, local program operators may choose to vary the number of participants, the courses offered, or the cost per participant.

Vocational and Adult Education

2. Adult education: b. Research, development, and evaluation (Adult Education Act, Section 309)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
---	---	$2,000,000	+$2,000,000

Purpose and Method of Operation

Section 309 of the Adult Education Act authorizes a national discretionary program for applied research, development, demonstration, dissemination, evaluation, and related activities that will contribute to the improvement and expansion of adult education in the United States. Activities authorized by this program include:

- improving adult education opportunities for elderly individuals and adult immigrants;
- evaluating educational technology and computer software suitable for providing instruction to adults; and
- supporting exemplary cooperative adult education programs which combine the resources of businesses, schools, and community organizations.

Under the Adult Education Act, no funds may be set aside for this program unless the total Adult Education appropriation reaches $112 million. The Department is proposing appropriations language to override this provision. The program will be current funded. Fiscal year 1987 funds will become available October 1, 1986 and will remain available until September 30, 1987.

1987 Budget Proposal

For 1987, the Department is requesting $2,000,000 for Adult Education Research, Development, and Evaluation.

As adult illiteracy has come to the fore as a national concern, there has been an increasing need for information on the nature and extent of illiteracy, on the most cost-effective means of reaching the illiterate population, and on the potential utility of new approaches such as computer-based adult learning programs. Yet no funds for adult education discretionary projects have been appropriated in over a decade. The $2,000,000 requested for discretionary projects will permit commencement of some of the most needed nationally significant studies to obtain this information. These funds are being requested on a current funded basis so that there will not be a 9-month delay before funds are available.

Vocational and Adult Education

Vocational Education Basic Grants 1/

State or Outlying Area	1985	1986 2/	1986 Revised	1987
TOTAL	$777,633,429	$743,965,099	$573,672,389	$388,246,441
Alabama	15,524,100	14,851,970	11,452,372	7,901,831
Alaska	1,566,045	1,498,242	1,155,296	583,126
Arizona	9,957,410	9,526,295	7,345,738	4,897,666
Arkansas	8,685,828	8,309,767	6,407,672	4,415,591
California	68,148,445	65,197,898	50,274,178	34,267,870
Colorado	9,157,511	8,761,028	6,755,640	4,622,348
Connecticut	8,224,182	7,868,109	6,067,108	4,188,737
Delaware	2,681,902	2,565,787	1,978,481	998,622
Florida	31,281,245	29,926,896	23,076,666	15,591,322
Georgia	21,594,799	20,659,833	15,930,822	10,920,819
Hawaii	3,919,030	3,749,352	2,891,130	1,562,441
Idaho	3,900,781	3,731,893	2,877,667	1,786,415
Illinois	34,165,423	32,686,201	25,204,369	17,137,053
Indiana	19,776,740	18,920,488	14,589,612	10,003,101
Iowa	9,671,340	9,252,611	7,134,699	4,828,803
Kansas	7,207,274	6,895,229	5,316,919	3,680,124
Kentucky	14,427,487	13,802,836	10,643,384	7,364,772
Louisiana	16,548,186	15,831,718	12,207,857	8,141,725
Maine	4,358,578	4,169,869	3,215,391	2,240,317
Maryland	13,039,370	12,474,819	9,619,348	6,663,750
Massachusetts	17,323,922	16,573,867	12,780,129	9,170,695
Michigan	31,283,487	29,929,041	23,078,320	15,650,408
Minnesota	13,437,730	12,855,932	9,913,224	6,916,448
Mississippi	10,346,383	9,898,427	7,632,689	5,228,797
Missouri	16,877,397	16,146,675	12,450,721	8,772,676
Montana	3,926,509	3,756,507	2,896,647	1,470,642
Nebraska	5,165,239	4,941,605	3,810,478	2,661,252
Nevada	3,312,615	3,169,192	2,443,768	1,233,472
New Hampshire	3,913,31[illegible]	3,743,881	2,886,911	1,632,631
New Jersey	19,375,473	18,536,595	14,293,591	10,110,823
New Mexico	5,391,166	5,157,751	3,977,148	2,710,573
New York	51,361,536	49,137,793	37,890,211	26,141,688
North Carolina	23,593,023	22,571,542	17,404,943	12,036,187
North Dakota	3,226,555	3,086,858	2,380,280	1,201,427
Ohio	36,354,152	34,780,167	26,819,029	18,370,103

Vocational and Adult Education

Vocational Education Basic Grants[1/]

State or Outlying Area	1985	1986[2/]	1986 Revised	1987
TOTAL	$777,633,429	$743,965,099	$573,672,389	$388,246,441
Oklahoma	10,527,484	10,071,687	7,766,290	5,043,404
Oregon	8,657,466	8,282,633	6,386,749	4,328,582
Pennsylvania	38,550,487	36,881,409	28,439,299	19,543,898
Rhode Island	3,910,600	3,741,287	2,884,911	1,663,911
South Carolina	13,292,731	12,717,210	9,806,256	6,708,115
South Dakota	3,507,697	3,355,828	2,587,683	1,306,112
Tennessee	17,849,772	17,076,950	13,168,057	9,134,133
Texas	49,602,656	47,455,065	36,592,658	24,181,300
Utah	6,066,049	5,803,414	4,475,020	3,007,323
Vermont	2,778,915	2,658,599	2,050,049	1,034,746
Virginia	18,124,387	17,339,676	13,370,645	9,427,005
Washington	12,745,170	12,193,357	9,402,312	6,463,973
West Virginia	7,270,720	6,955,928	5,363,724	3,688,793
Wisconsin	16,348,997	15,641,153	12,060,912	8,339,521
Wyoming	1,847,900	1,767,894	1,363,225	688,077
District of Columbia	2,514,051	2,405,203	1,854,655	936,122
Puerto Rico	13,592,616	13,004,112	10,027,486	6,762,357
American Samoa	191,167	182,890	141,027	108,417
Guam	465,528	445,373	343,427	231,791
Northern Marianas	191,167	182,890	141,027	108,417
Trust Territory	477,471	456,798 3/	352,238 3/	237,214 3/4/
Virgin Islands	396,224	379,069	292,301	196,985

[1/] Under the Carl D. Perkins Vocational Educational Act, State allocations for Titles II and III are made by using the estimated State products of: (1) the State allotment ratios, based on inverse per capita income, with limits of 0.60 and 0.40; and (2) the States' population ages 15-19, 20-24, and 25-26. No State may receive less than its allocation for fiscal year 1984. If additional funds are available, no State, D.C., or Puerto Rico may receive less than 1/2 percent of the total amount available and no Outlying Area may receive less than $200,000, but no State or Outlying Area may receive more than 150 percent of its previous year's allocation as a result of this provision. State totals are then divided into Basic Grant (Title II), Community-Based Organizations (Title III), and Consumer and Homemaking (Title III) allocations.

Vocational and Adult Education

Vocational Education Basic Grants

The 1986 appropriation language partially overrides the statutory provision by stipulating that no State shall receive less than it received in 1985. Since there are not enough funds in 1986 to satisfy this requirement, the portion of each State's grant that is used for Basic Grant activities is proportionately reduced from its 1985 level. Fiscal year 1987 funds are allocated according to the formula in the authorizing statute -- i.e., each State's allotment is reduced proportionately from the 1984 level. (Distribution excludes funds for Indian and Hawaiian Natives programs.)

2/ Reflects a reduction of $33,132,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

3/ At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986; in 1987, funds will be reallocated among other recipients.

4/ Upon enactment of the Compact of Free Association for Palau, amounts appropriated for assistance to Palau shall not be available.

Vocational and Adult Education

Vocational Education Community-Based Organizations 1/

State or Outlying Area	1985	2/ 1986	1986 Revised	1987
TOTAL	—	$7,178,000	—	—
Alabama	—	110,251	—	—
Alaska	—	176,732	—	—
Arizona	—	119,677	—	—
Arkansas	—	65,534	—	—
California	—	709,010	—	—
Colorado	—	85,909	—	—
Connecticut	—	54,034	—	—
Delaware	—	257,078	—	—
Florida	—	325,393	—	—
Georgia	—	205,003	—	—
Hawaii	—	30,231	—	—
Idaho	—	33,577	—	—
Illinois	—	201,885	—	—
Indiana	—	80,214	—	—
Iowa	—	46,110	—	—
Kansas	—	47,042	—	—
Kentucky	—	95,832	—	—
Louisiana	—	177,063	—	—
Maine	—	27,136	—	—
Maryland	—	49,012	—	—
Massachusetts	—	65,835	—	—
Michigan	—	110,445	—	—
Minnesota	—	23,133	—	—
Mississippi	—	75,218	—	—
Missouri	—	58,119	—	—
Montana	—	28,859	—	—
Nebraska	—	34,707	—	—
Nevada	—	141,426	—	—
New Hampshire	—	31,279	—	—
New Jersey	—	93,856	—	—
New Mexico	—	61,162	—	—
New York	—	207,799	—	—
North Carolina	—	189,683	—	—
North Dakota	—	157,207	—	—
Ohio	—	131,814	—	—

Vocational and Adult Education

Vocational Education Community-Based Organizations 1/

State or Outlying Area	1985	1986 2/	1986 Revised	1987
TOTAL	---	$7,178,000	---	---
Oklahoma	---	110,735	---	---
Oregon	---	40,810	---	---
Pennsylvania	---	194,947	---	---
Rhode Island	---	31,777	---	---
South Carolina	---	106,256	---	---
South Dakota	---	105,655	---	---
Tennessee	---	128,061	---	---
Texas	---	748,636	---	---
Utah	---	82,003	---	---
Vermont	---	239,289	---	---
Virginia	---	148,191	---	---
Washington	---	149,603	---	---
West Virginia	---	26,761	---	---
Wisconsin	---	51,078	---	---
Wyoming	---	208,540	---	---
District of Columbia	---	283,717	---	---
Puerto Rico	---	189,244	---	---
American Samoa	---	3,279	---	---
Guam	---	6,423	---	---
Northern Marianas	---	3,279	---	---
Trust Territory	---	6,895 3/	---	---
Virgin Islands	---	5,556	---	---

1/ Under the Carl D. Perkins Vocational Educational Act, State allocations for Titles II and III are made by using the estimated State products of: (1) the State allotment ratios, based on inverse per capita income, with limits of 0.60 and 0.40; and (2) the States' population ages 15-19, 20-24, and 25-26. No State may receive less than its allocation for fiscal year 1984. If additional funds are available, no State, D.C., or Puerto Rico may receive less than 1/2 percent of the total amount available and no Outlying Area may receive less than $200,000, but no State or Outlying Area may receive more than 150 percent of its previous year's allocation as a result of this provision. State totals are then divided into Basic Grant (Title II), Community-Based Organizations (Title III), and Consumer and Homemaking (Title III) allocations.

Vocational and Adult Education

Vocational Education Community-Based Organizations 1/

The 1986 appropriation language partially overrides the statutory provision by stipulating that no State shall receive less in Basic Grant funds than it received in 1985. Since there are not enough funds in 1986 to satisfy this requirement, the portion of each State's grant that is used for Basic Grant activities is proportionately reduced from its 1985 level. The portion of each State's grant that is allocated for Community-Based Organizations is the same as the percentage the total for Community-based Organizations is of the total funds available to the States.

2/ Reflects a reduction of $322,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

3/ At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986; in 1987, funds will be reallocated among other recipients.

Vocational and Adult Education

Vocational Education Consumer and Homemaking Education 1/

State or Outlying Area	1985	1986 2/	1986 Revised	1987
TOTAL	$31,633,000	$30,273,000	—	—
Alabama	643,814	464,981	—	—
Alaska	47,511	745,361	—	—
Arizona	399,045	504,736	—	—
Arkansas	359,767	276,386	—	—
California	2,792,030	2,990,225	—	—
Colorado	376,613	362,319	—	—
Connecticut	341,284	227,887	—	—
Delaware	81,364	1,084,216	—	—
Florida	1,270,328	1,372,330	—	—
Georgia	889,791	864,593	—	—
Hawaii	127,302	127,498	—	—
Idaho	145,551	141,610	—	—
Illinois	1,396,269	851,444	—	—
Indiana	815,019	338,298	—	—
Iowa	393,435	194,466	—	—
Kansas	299,844	198,400	—	—
Kentucky	600,057	404,169	—	—
Louisiana	663,360	746,760	—	—
Maine	182,533	114,445	—	—
Maryland	542,940	206,709	—	—
Massachusetts	747,197	277,658	—	—
Michigan	1,275,142	465,798	—	—
Minnesota	563,529	97,564	—	—
Mississippi	426,025	317,230	—	—
Missouri	714,768	245,114	—	—
Montana	119,823	121,714	—	—
Nebraska	216,830	146,376	—	—
Nevada	100,499	596,462	—	—
New Hampshire	133,021	131,920	—	—
New Jersey	823,796	395,836	—	—
New Mexico	220,848	257,951	—	—
New York	2,129,936	876,384	—	—
North Carolina	980,668	799,984	—	—
North Dakota	97,888	663,015	—	—
Ohio	1,496,734	555,922	—	—

Vocational and Adult Education

Vocational Education Consumer and Homemaking Education 1/

State or Outlying Area	1985	2/ 1986	1986 Revised	1987
TOTAL	$31,633,000	$30,273,000	---	---
Oklahoma	410,919	467,024	---	---
Oregon	352,678	172,115	---	---
Pennsylvania	1,592,370	822,183	---	---
Rhode Island	135,732	134,017	---	---
South Carolina	546,554	448,133	---	---
South Dakota	106,418	445,597	---	---
Tennessee	744,218	540,095	---	---
Texas	1,970,210	3,157,347	---	---
Utah	245,026	345,844	---	---
Vermont	84,308	1,009,192	---	---
Virginia	768,080	624,991	---	---
Washington	526,663	630,948	---	---
West Virginia	300,550	112,866	---	---
Wisconsin	679,476	215,422	---	---
Wyoming	56,062	879,510	---	---
District of Columbia	76,272	1,196,565	---	---
Puerto Rico	550,974	798,132	---	---
American Samoa	8,833	13,830	---	---
Guam	18,886	27,089	---	---
Northern Marianas	8,833	13,830	---	---
Trust Territory	19,327	29,078 3/	---	---
Virgin Islands	16,050	23,431	---	---

1/ Under the Carl D. Perkins Vocational Educational Act, State allocations for Titles II and III are made by using the estimated State products of: (1) the State allotment ratios, based on inverse per capita income, with limits of 0.60 and 0.40; and (2) the States' population ages 15-19, 20-24, and 25-26. No State may receive less than its allocation for fiscal year 1984. If additional funds are available, no State, D.C., or Puerto Rico may receive less than 1/2 percent of the total amount available and no Outlying Area may receive less than $200,000, but no State or Outlying Area may receive more than 150 percent of its previous year's allocation as a result of this provision. State totals are then divided into Basic Grant (Title II), Community-Based Organizations (Title III), and Consumer and Homemaking (Title III) allocations.

Vocational and Adult Education

Vocational Education Consumer and Homemaking Education

The 1986 appropriation language partially overrides the statutory provision by stipulating that no State shall receive less in Basic Grant funds than it received in 1985. Since there are not enough funds in 1986 to satisfy this requirement, the portion of each State's grant that is used for Basic Grant activities is proportionately reduced from its 1985 level. The portion of each State's grant that is allocated for Consumer and Homemaking Education is the same as the percentage that total funds for Consumer and Homemaking Education are of the total funds available to the States.

2/ Reflects a reduction of $1,360,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

3/ At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986; in 1987, funds will be reallocated among other recipients.

Vocational and Adult Education

Vocational Education State Councils 1/

State or Outlying Area	2/ 1985	3/ 1986	1987
TOTAL	$7,000,000	$6,986,000	$7,000,000
Alabama	116,350	112,113	120,000
Alaska	116,350	112,113	120,000
Arizona	116,350	112,113	120,000
Arkansas	116,350	112,113	120,000
California	208,773	201,171	172,428
Colorado	116,350	112,113	120,000
Connecticut	116,350	112,113	120,000
Delaware	116,350	112,113	120,000
Florida	208,772	201,170	172,428
Georgia	154,274	148,657	147,376
Hawaii	116,350	112,113	120,000
Idaho	116,350	112,113	120,000
Illinois	208,772	201,170	172,428
Indiana	139,376	134,301	131,162
Iowa	116,350	112,113	120,000
Kansas	116,350	112,113	120,000
Kentucky	116,350	112,113	120,000
Louisiana	116,350	112,113	120,000
Maine	116,350	112,113	120,000
Maryland	116,350	112,113	120,000
Massachusetts	141,039	135,904	120,000
Michigan	208,772	201,170	172,428
Minnesota	116,350	112,113	120,000
Mississippi	116,350	112,113	120,000
Missouri	116,350	112,113	120,000
Montana	116,350	112,113	120,000
Nebraska	116,350	112,113	120,000
Nevada	116,350	112,113	120,000
New Hampshire	116,350	112,113	120,000
New Jersey	152,892	147,325	129,041
New Mexico	116,350	112,113	120,000
New York	208,773	201,171	172,428
North Carolina	169,046	162,891	159,799
North Dakota	116,350	112,113	120,000
Ohio	208,772	201,170	172,428

Vocational and Adult Education

Vocational Education State Councils 1/

State or Outlying Area	1985 2/	1986 3/	1987
TOTAL	$7,000,000	$6,986,000	$7,000,000
Oklahoma	116,350	112,113	120,000
Oregon	116,350	112,113	120,000
Pennsylvania	208,773	201,171	172,428
Rhode Island	116,350	112,113	120,000
South Carolina	116,350	112,113	120,000
South Dakota	116,350	112,113	120,000
Tennessee	131,032	126,261	120,352
Texas	208,773	201,171	172,428
Utah	116,350	112,113	120,000
Vermont	116,350	112,113	120,000
Virginia	137,211	132,216	122,846
Washington	116,350	112,113	120,000
West Virginia	116,350	112,113	120,000
Wisconsin	116,350	112,113	120,000
Wyoming	116,350	112,113	120,000
District of Columbia	116,350	112,113	120,000
Puerto Rico	116,350	112,113	120,000
American Samoa	—	48,180	50,000
Northern Marianas	—	48,180	50,000
Guam	—	48,180	50,000
Trust Territory	—	48,180 4/	50,000 4/5/
Virgin Islands	—	48,180	50,000

1/ Under the amended Carl D. Perkins Vocational Education Act, $50,000 each is allotted to the 5 Outlying Areas. Then, funds to States are allocated by using the estimated State products of: (1) the State allotment ratios, based on inverse per capita income, with limits of 0.60 to 0.40; and (2) the State's population ages 15-19, 20-24, and 25-26, except that no State may be allotted less than $120,000 nor more than $225,000. The fiscal year 1986 appropriation language overrides the authorizing statute by requiring that no State shall receive less than it received from the 1985 appropriation. Since there are not enough funds available in 1986 to meet this requirement, each State's allotment is proportionately reduced from its 1985 level. The Outlying Areas are reduced from a base of $50,000 each. Fiscal year 1987 funds are allocated according to the formula in the Perkins Act.

2/ In 1985, Outlying Areas were not authorized to receive funds for State Councils.

Vocational and Adult Education

Vocational Education State Councils

3/ Reflects a reduction of $314,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

4/ At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986; in 1987, funds will be reallocated among other recipients.

5/ Upon enactment of the Compact of Free Association for Palau, amounts appropriated for assistance to Palau shall not be available.

Vocational and Adult Education

Adult Education Grants to States 1/

State or Outlying Area	1985	1986 2/	1987
TOTAL	$101,963,000	$97,579,000	$102,000,000
Alabama	2,028,614	1,941,392	2,030,770
Alaska	335,822	321,383	336,094
Arizona	1,118,198	1,070,120	1,119,340
Arkansas	1,326,636	1,269,596	1,328,010
California	8,135,355	7,785,567	8,135,356
Colorado	1,016,875	973,153	1,017,905
Connecticut	1,319,890	1,263,140	1,321,258
Delaware	455,175	435,604	455,579
Florida	4,147,071	3,968,764	4,147,071
Georgia	2,782,346	2,662,716	2,782,346
Hawaii	527,479	504,800	527,964
Idaho	526,351	503,720	526,834
Illinois	4,637,144	4,437,765	4,637,144
Indiana	2,292,644	2,194,070	2,292,644
Iowa	1,190,011	1,138,845	1,191,233
Kansas	978,479	936,408	979,466
Kentucky	2,035,659	1,948,134	2,037,823
Louisiana	2,072,753	1,983,633	2,074,118
Maine	643,673	615,998	644,287
Maryland	1,803,995	1,726,430	1,805,901
Massachusetts	2,101,605	2,011,244	2,101,605
Michigan	3,612,414	3,457,095	3,612,414
Minnesota	1,498,496	1,434,067	1,500,062
Mississippi	1,411,336	1,350,654	1,412,804
Missouri	2,234,360	2,138,291	2,234,360
Montana	481,140	460,453	481,573
Nebraska	720,974	689,975	721,674
Nevada	486,536	465,617	486,975
New Hampshire	539,362	516,172	539,860
New Jersey	3,023,657	2,893,652	3,023,657
New Mexico	694,458	664,599	695,129
New York	7,184,087	6,875,200	7,184,087
North Carolina	3,098,843	2,965,605	3,098,843
North Dakota	474,340	453,945	474,765
Ohio	4,324,236	4,138,311	4,324,236

Vocational and Adult Education

Adult Education Grants to States 1/

State or Outlying Area	1985	1986 2/	1987
TOTAL	$101,963,000	$97,579,000	$102,000,000
Oklahoma	1,390,165	1,330,393	1,391,610
Oregon	1,024,438	980,391	1,025,476
Pennsylvania	5,003,792	4,788,649	5,003,792
Rhode Island	648,582	620,696	649,202
South Carolina	1,728,067	1,653,767	1,729,889
South Dakota	485,381	464,512	485,819
Tennessee	2,409,911	2,306,294	2,409,911
Texas	6,231,341	5,963,418	6,231,341
Utah	579,041	554,145	579,583
Vermont	410,560	392,908	410,914
Virginia	2,485,451	2,378,587	2,485,451
Washington	1,395,842	1,335,826	1,397,294
West Virginia	1,150,132	1,100,681	1,151,310
Wisconsin	1,842,671	1,763,444	1,844,620
Wyoming	369,113	353,243	369,421
District of Columbia	495,683	474,371	496,132
Puerto Rico	2,027,085	1,939,928	2,029,240
American Samoa	139,265	133,277	139,265
Guam	244,720	234,198	244,720
Northern Marianas	105,924	101,370	106,001
Trust Territory	313,453	299,976 3/	313,453 3/4/
Virgin Islands	222,369	212,808	222,369

1/ Under the Adult Education Act, distribution is based on initial allocation of $250,000 to each State and $100,000 to each Outlying Area, with the remainder distributed on the basis of population age 16 and over with less than a high school diploma. No State may receive less than its allocation for fiscal year 1984. The 1986 appropriation language overrides the statutory formula by requiring that no State receive less than it did in 1985. Since there are insufficient funds to meet this requirement, each State's 1986 allocation is proportionately reduced from its 1985 allocation. The fiscal year 1987 funds are allocated according to the formula in the authorizing statute.

2/ Reflects a reduction of $4,384,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Vocational and Adult Education

Adult Education Grants to States

3/ At the time these estimates were prepared, reductions for the Federated States of Micronesia and the Marshall Islands that are required by Public Laws 99-178 and 99-239 had not been determined. These funds will lapse in 1986; in 1987, funds will be reallocated among other recipients.

4/ Upon enactment of the Compact of Free Association for Palau, amounts appropriated for assistance to Palau shall not be available.

TUESDAY, APRIL 15, 1986.

EDUCATIONAL RESEARCH AND IMPROVEMENT

WITNESSES

CHESTER E. FINN, JR., ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND IMPROVEMENT

EMERSON J. ELLIOTT, ACTING DEPUTY ASSISTANT SECRETARY FOR OPERATIONS, OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT

RONALD PHILLIP PRESTON, DEPUTY ASSISTANT SECRETARY FOR POLICY AND PLANNING, OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION

SUE E. BETKA, PROGRAM ANALYST, DIVISION OF SPECIAL EDUCATION, REHABILITATION AND RESEARCH ANALYSIS, OFFICE OF PLANNING, BUDGET AND EVALUATION

Mr. NATCHER. At this time, we take up the budget request for research and improvement. We have before the committee, Mr. Chester E. Finn, Jr., Assistant Secretary for Educational Research and Improvement.

Mr. Finn, before you give us your statement, tell us who you have with you at the table.

Mr. FINN. Thank you, Mr. Chairman.

To my immediate left is Ronald Preston, Deputy Assistant Secretary for Policy and Planning, Office of Educational Research and Improvement, and Acting Director of our Office of Rsearch; and to his left, Emerson Elliott, Acting Deputy Assistant Secretary for Operations, Office of Educational Research and Improvement; and to my right, Sally Christensen, Director, Budget Service; and to her right is Sue Betka, Program Analyst, Division of Special Education, Rehabilitation and Research Analysis, Office of Planning, Budget and Evaluation.

REQUEST FOR INCREASE

Mr. Chairman, I will enter my prepared statement into the record. It needs to be said, sir, that I am here to ask for a little bit of that help that you were offering my predecessor at this table, and I am allowed to ask for it.

It is a pleasure to be back with you this morning with a rather more positive mission than yesterday afternoon; but I come with a considerable sense of humility.

It was my task yesterday to recommend the termination of a set of activities that are indisputably popular; today, I urge the expansion of a set of activities that in the past, at least, have not been popular at all.

Moreover, in a year of considerable fiscal stringency, I believe these activities constitute the only major programmatic unit of the Education Department for which the President is seeking an increase.

REORGANIZED OERI

This unit of the Department is now known only as the Office of Educational Research and Improvement. Two familiar units, the NIE and the NCES, no longer exist. Their functions haven't vanished, but they were folded into a totally reorganized OERI last autumn.

The "new OERI", as we usually call it, has five operating units: Library Programs, about which you heard yesterday, and the four units for which funds are sought today: The Office of Research, Center for Statistics, Programs for the Improvement of Practice, and Information Services.

MISSION OF OERI

With this reorganization, we believe we are in a far better position to carry out our missions effectively, efficiently and harmoniously.

These missions constitute the oldest and most central activities of the Federal Government in the field of education. They date back 119 years, to 1867, when Congress created the first Department of Education.

That was a wonderful statute, just four paragraphs along. With your permission, I will submit a copy of it for the hearing record. Funding consisted of a Commissioner's salary and the salaries of three clerks. The opening paragraph, which stated the purpose of the new Department, is still the charter of OERI. If I may quote that purpose:

> Collecting such statistics and facts as shall show the condition and progress of education in the several States and Territories, and of diffusing such information respecting the organization and management of schools and school systems and methods of teaching as shall aid the people of the United States in the establishment and maintenance of efficient school systems, and otherwise promote the cause of education throughout the country.

That is precisely our purpose in OERI today. If I could recast it in slightly more modern terms, our task is to report accurately and honestly to the American people on what is going on out there in the huge, diverse and complex world of American education; to ascertain as best we can how well things are working; and to supply this information to people who can use it, if they are so inclined, to make things work better.

NATIONAL INTEREST

These are deeply practical purposes, and they have never been needed more. We are talking about a $260 billion enterprise involving 60 million people as students, teachers, and professors. The Federal Government has a sizable investment there, and there is a national interest that transcends the Federal investment.

Because it is so decentralized and diverse, it isn't easy to understand, keep track of, or stay informed about. There is a vast amount that isn't understood about it. And this ignorance is a handicap today, for the Nation is in the midst of an historic education reform movement.

That reform movement is part of why we are here today. OERI is the part of the Education Department that keeps closest watch on these reforms, reforms that demonstrate that something is wrong out there, that the American people aren't satisfied with the present condition of their education system.

We believe the American people want and deserve better information, that Congress wants and deserves better information, that our professional educators want and deserve better information, that these reforms deserve study, evaluation and explanation and that people should be told what seems to be working, and what doesn't, and why. They need this to make wise decisions of their own.

We offer no magic cures for what ails education. We have no social engineering schemes, no experiments, just the promise of good information about what is already going on and how it is working and why.

NEED FOR THE INCREASE

As I suggested, this is a hard time to request an increase, but it does bespeak the Secretary's and the President's conclusion that this is one of the top priorities for the Department.

Moreover, it is a good investment, and an economical one. OERI represents less than half of 1 percent of the Department's budget, .0046 to be exact.

Furthermore, these resources have eroded badly over the years. A careful study now underway at the GAO points out that between 1973 and 1984, while the Department's total budget was growing 180 percent in current dollars and 22 percent in constant dollars, the research function shrank by 45 percent in current dollars, and 76 percent in real dollars, and the statistics function eroded almost as severely.

Mr. Chairman, at this point in our history, we simply cannot provide the American people with a steady supply of reliable, current information about American education, while also honoring a number of other commitments, without an increase in our resource base.

I could give you a long list of things we think we should be doing that we are failing to do satisfactorily. Indeed, with your permission, I will submit for the record our own account of our shortcomings just on the statistics side of the operation. It is deeply worrisome to me and to the Secretary.

USE OF ADDITIONAL FUNDS

What will we do with the additional money we are seeking, about $13 million compared to the post-Gramm-Rudman-Hollings, about $10 million otherwise? All four of our units have plans. Our budget submission explains a number of these. Let me highlight just a few.

In our Center for Statistics, where the largest increase is requested, we are hoping to do something about our terrible data gaps; for example, we don't have any fully satisfactory teacher supply and demand data. Although we can and do make estimates, the underlying data and surveys are antiquated. Hence, we can't tell you with real confidence how many schoolteachers this country is going to need 5, 10 years down the road.

We have several projects underway to rectify this, and to tell us a lot more about teachers.

Across the country, we have the beginnings of good national assessment data, indicating how well children are doing in the 3 Rs, but we can't tell you whether American children are learning algebra or chemistry, how the children of Kentucky are doing compared to the children of Tennessee; and that is the kind of information people want these days.

A major assessment redesign effort is underway to do something about these kinds of shortcomings.

In our Office of Research, where the second biggest increase is requested, along with a lot of other projects we are hoping to mount a major effort to monitor, describe and evaluate some of the State education reforms that are underway in this country.

We are also starting to develop a new assessment instrument that colleges and universities could give to their sophomores if they want to find out whether those young people are actually acquiring the general education that most colleges think they are supplying.

We cannot give you information today about whether that is occurring, but we have a plan by which to develop the instrument that would enable colleges to find these things out.

In the Office of Research, we are trying to learn a lot of things about teachers, such as whether what makes a good English teacher effective is the same as what makes a good science teacher effective.

We are going to try to tell what those State teacher exams are actually testing.

In Programs for the Improvement of Practice, we have a multipart project called "Partnerships with Practicing Educators" in which we are going to develop a network of urban superintendents whose school systems are especially effective in preventing dropouts.

We are going to identify exemplary programs for the training and retraining of principals and other school administrators. We are going to continue to run the secondary school and elementary school recognition programs.

And we are going to continue to work with the regional education laboratories and carry out a major evaluation of their performance.

And finally, in Information Services, where the basic task is to take all this information and try to make it understandable, useful and available to all sorts of people, we have established an 800 number that people can call from anywhere in the country: 800-424-1616; we are also trying to take the huge information base in the ERIC system and make it available for use on microcomputers.

We are distilling research findings into short, clear publications. We are assisting a variety of education associations with their information needs. And we are trying to link up our own education research library with other education research libraries across the country, so that they can serve each other better.

A very important general point here is to bring this 1867 function into the late 20th century by using electronic as well as print mechanisms for supplying and retrieving information.

We may have taken too much of your time, but we are immensely enthusiastic about some of these plans and eager to get on with them. I know resources are tight. I simply close with the observation that, in our view, there is no more important set of activities in the Education Department.

[The statement of Mr. Finn follows:]

UNITED STATES DEPARTMENT OF EDUCATION

Statement by the

Assistant Secretary for Educational Research and Improvement

on

Education Research and Improvement

Mr. Chairman and Members of the Committee:

We appreciate the opportunity to appear before you to discuss the 1987 budget for education research and improvement.

Fiscal Year 1987 Budget Request

For 119 years, the government has gathered statistics on American education. The information we've accumulated has helped paint a portrait of the nation's education system -- one showing the size, nature and quality of our schools. During much of this period, we have also conducted other kinds of research. While the researcher in the medical laboratory attempts to find a cure for cancer, our researchers look for ways to improve American education. We try to learn what works and what doesn't work in our schools. During more than a century of effort, our goal has been simple -- to help build the finest educational system possible.

Following in that long tradition, I come before you today to request on behalf of the President the resources necessary to strengthen and carry out these functions. We are asking in fiscal year 1987 for $70.2 million for research and statistics projects. That compares with $57.4 million that is available for activities this fiscal year, after the mandatory reduction required by the Gramm-Rudman-Hollings law. We have also submitted legislation to reauthorize our research and statistics activities beginning in 1987.

Although on the surface, this $12.8 million increase appears noteable during a period of fiscal restraint, it is important to understand that, since 1973, budget cuts have been disproportionately higher for research and statistics than for the Department of Education as a whole. From 1973 to 1986, budget authority for research and statistics fell from $117 million to $57 million, a 51% decrease. This decline in our research and statistics investment has occurred at a time when research and statistical information is becoming more and more important in finding ways to address critical educational policy and fiscal issues.

Our request, then, for a $12.8 million increase is, in fact, a proposal to recoup a tiny fraction of the major erosion in research and statistics funding we have experienced over the years.

From our $70.2 million request, we propose to use $24.8 million for the Office of Research, $19.1 million for Programs for the Improvement of Practice, $18.3 million for the Center for Statistics and $8 million for Information Services.

This proposal amounts to barely one-half of one percent of the Department of Education's total budget. But it represents a crucial investment in our efforts to achieve excellence in American education.

Center for Statistics

Of all the Department of Education's work, that done by the Center for Statistics is the most fundamental. It dates back to 1867. Its name has changed several times but its mission has remained the same -- to gather statistics on the condition and progress of American education. Today, however, the Center's data has the worrisome symptoms of a sick patient.

Some of its surveys are alarmingly outdated. Recently, a group of researchers asked the Center for State-by-State totals on school enrollment. They had to make do with 1983 figures. But they were luckier than the people who needed statistics on teacher training and salaries. In that case, the Center's most recent numbers were from 1980 and 1981.

Since Secretary Bennett appointed me, we have been laboring mightily to speed this patient on the road to recovery. For the past year, the U.S. Department of Education has gathered advice from numerous outside experts on how to improve its statistical collections. We are actively studying their recommendations and preparing to put them into practice. The result will be information that's more timely, accurate, comparable and useful.

In other words, we believe we have located the causes of our maladies; all we need now is the medicine -- priced at $18.3 million -- for recovery.

We plan to devote $2 million of that amount to update the archaic way we collect elementary and secondary data on everything from school enrollments to administrative leadership. The new system will use statistical sampling, computer responses where possible and other technologies to speed information from the field to the Center.

We estimate that between now and 1992, more than a million teachers must be found for our classrooms. To provide data on that need and how we are meeting it, about $1.7 million will be used for teacher surveys, as part of our redesigned elementary and secondary data system. Such surveys will allow us to project to geographic areas and school subjects where teachers will be in short supply. We will also gather information on why teachers are choosing to enter and leave the profession.

Another $1.5 million will allow us to fully implement a new system to collect postsecondary statistics. The new program, to be called the "Integrated Postsecondary Education Data System," will consolidate several other surveys into one that will provide much more comprehensive data.

About half the $18.3 million will be used to help us improve the way we track how much students learn. I think of this as qualitative data. We will use the National Assessment of Educational Progress (NAEP) as one means of measuring student achievement and a new National Education Longitudinal Study (NELS) as another means. We will also fund efforts to compare the academic progress of American students with that of pupils in other countries. And we plan to encourage more comparable data State-by-State that will inform legislators and other decision makers who try to make education achieve higher standards of quality.

In addition, about $3.4 million will be used to maintain our "core" activities -- such as collecting data for our annual publication, The Condition of Education, which summarizes education statistics. We will also be gathering information for other basic education indicators and projections, and will continue the development of a new vocational education data system.

The Center for Statistics data collections are still in serious condition. But with proper medicine, we believe the prognosis is excellent for total recovery.

Office of Research

Turning to the Office of Research, we find an agency supporting systematic studies to improve education. Much still needs to be learned, however, if we are to achieve educational excellence. Sound research can answer important questions that make a difference in the ways schools and colleges function.

Of the $24.8 million sought for the Office of Research, $17.3 million would be used to fund the nationwide network of university-based educational research and development centers.

The centers will concentrate their research on subjects like student testing, evaluation and standards; teacher education; bilingual and second language education; educational technology; school effectiveness at both the elementary and secondary levels; reading and writing; and State and local policy development.

An additional $5 million would be set aside for new projects. These activities would involve studying early childhood education, teaching and learning, characteristics of effective school administrators and the costs and benefits of particular kinds of postsecondary education.

We also want to learn what skills, training and temperament teachers need to be most effective in various subjects and grade levels.

And we need to know more about educating disadvantaged children: How do their learning needs differ? What instructional strategies work best for children from low-income families?

In addition to funding for the centers and the new initiatives, approximately $2.5 million would be devoted to continuing activities begun before FY 1987 including studies of working conditions and the life of teachers in schools as they are influenced by school improvement changes, and several higher education studies including: an examination of higher education curriculum and student learning; long-term career outcomes of liberal arts majors in comparison to professionally- and occupationally-oriented majors; and the development of a broader range of higher education indicators than we now have for reporting on trends in higher education. We will also continue some other projects, including the Small Business Innovative Research program, and a contract exploring State legislative policy effects on education. Both our new and continuation activities will include some field-initiated research.

Programs for the Improvement of Practice

Programs for the Improvement of Practice (PIP) is in good hands -- as are all of our divisions. PIP is headed by Dr. Milton Goldberg, former executive director of the National Commission on Excellence in Education. In 1983 that group gave the country the landmark report A Nation at Risk. The findings shocked the country into realizing that we were facing a "rising tide of mediocrity in our schools." Like few documents before it, A Nation at Risk helped launch the current educational excellence movement.

Under our proposal, Dr. Goldberg's staff would work with $19.1 million. Of that sum, $17 million would fund the nationwide network of regional laboratories, $1.1 million would support development and demonstration of effective research-based teacher education programs, and $1 million would be used for promising studies, analyses and the involvement of educators in school reform activities.

During the past 18 months, national competitions led to a network of nine educational laboratories that now serve every region of the country. Lab officials are supposed to work closely with State and local educators in their respective areas to improve education.

The laboratories have contractual obligations to assist teachers, administrators, policymakers, and the public in a variety of ways: they are to develop programs to find out how to improve teaching; summarize research findings and make them available in useful forms; develop training materials; provide technical assistance to schools and other educational organizations; and offer workshops and seminars for groups of teachers and administrators.

Information Services

We are requesting $8 million for the Information Services program. Of that, $5.7 million will sustain funding of the Educational Resources Information Center (ERIC). ERIC is the world's largest computerized education information service. This national resource contains invaluable information on all sectors of American education -- especially curriculum, teachers, students and the effects of different educational practices.

We are now looking for ways to update ERIC's technology so that a larger and broader audience has access to it.

We will encourage use of our newly established toll-free telephone line so that teachers and the public can receive accurate and useful material from OERI much faster.

New funding will allow Information Services to develop publications that translate educational research into understandable English. These materials will be distributed through newsletters, journals and State and local institutions. They will enable parents, teachers, policymakers and the media to better understand current research findings, trends and issues.

One example of how we intend to spread our information is the recent publication, What Works. This highly successful booklet was released by the President in a White House ceremony in early March, 1986. It contains 41 different research findings for parents and teachers on how to help students learn better. In the two weeks following release of What Works, we received 6,042 calls -- approximately 100 per hour every day. We anticipate similar projects in the coming year.

Mr. Chairman, let me note here, for the record, that What Works is also an example of a kind of joint collegial effort across OERI that I expect to repeat in the future. In this case, the publication was developed and drafted by Dr. Goldberg and his Programs for Improvement of Practice staff in conjunction with Information Services, based upon the knowledge of staff in the Office of Research, data from the Center for Statistics, and the expertise of outside consultants. It was a clear demonstration that OERI can perform invaluable service to the American public on behalf of education.

Conclusion

In conclusion, the proposal I've outlined is a blueprint to help continue the educational excellence movement. The research, statistical, practice improvement, and information services activities I've discussed offer towering potential for strengthening American classrooms and improving education. The increased funding that the President is requesting will be well spent.

My thanks to the committee. My colleagues and I will be glad to answer any questions that you may have.

DEPARTMENT OF EDUCATION

Office of Educational Research and Improvement

Biographical Sketch

NAME : Chester Evans Finn, Jr.

POSITION : Assistant Secretary for Educational Research and Improvement and Counselor to the Secretary of Education

BIRTHPLACE AND DATE : Columbus, Ohio, August 3, 1944

EDUCATION : Public Schools of Dayton, Ohio
Graduated, The Phillips Exeter Academy (with high honors), 1962
Bachelor of Arts, Harvard College (cum laude), 1965; Concentration: American History
Master of Arts in Teaching, Harvard University, 1967; Field: Social Studies
Doctor of Education, Harvard University, 1970; Field: Educational Policy and Organization

EXPERIENCE

1985-present : Assistant Secretary for Research and Improvement and Counselor to the Secretary, U.S. Department of Education

1981-1985 : Professor of Education and Public Policy, Vanderbilt University (on leave, 1985 to present)

1977-1981 : Legislative Director, Office of Senator Daniel Patrick Moynihan

1974-1977 : Research Associate in Governmental Studies, The Brookings Institution, Washington, D.C.

1973-1974 : Counsel to the American Ambassador to India

1972-1973 : Special Assistant to the Governor for Education, Commonwealth of Massachusetts

1971-1972 : Director of Policy Analysis, University of Massachusetts

1969-1971 : Staff Assistant to the President, The White House, Washington, D.C.

1968-1969 : Research Assistant, and Assistant to the Director of Programs in Administration, Harvard Graduate School of Education, Cambridge, MA

1967-1968 : Administrative Assistant in the Center for Research and Development on Educational Differences, and Member of the Faculty, Harvard Graduate School of Education

1966-1968 : Graduate Secretary, Phillips Brooks House, Harvard University

1966-1967 : Assistant Director, Harvard Upward Bound Program

1965-1966 : Program Development Aide, Cambridge Economic Opportunity Committee (and Commonwealth Service Corpsman)

OTHER EXPERIENCE

1985 (May) : Visiting lecturer under the auspices of United States Information Service (U.S.I.S.) in Tokyo, Kyoto and Fukuoka, Japan and in Seoul and Pusan, Korea

1974 (January) : Organizer and speaker in U.S.I.S. seminar on "Issues in Contemporary Higher Education," delivered in five Indian cities

1973 (December) : Visiting lecture at Sri Venkataswara University, Tirupati, Andhra Pradesh, India

1971-1972 and 1967-1968 : Course assistant, guest lecturer and section leader at Harvard University for Professors Daniel P. Moynihan and Nathan Glazer; courses in "Urban social policy," "Social science and social policy," and "The politics of education."

1965-1966 : Intern teacher of social studies, Newton High School, Newton, MA

1964 (Summer) : Intern teacher of history, Phillips Exeter Academy, Exeter, NH

1962 : Graduate, The Colorado Outward Bound School

Extensive travel in the U.S.A., Europe, Asia, Africa, Pacific
Numerous books and articles
Participant and speaker at many meetings, seminars, conferences, and hearings

CURRENT MEMBERSHIPS : Phi Delta Kappa, Harvard University Chapter
Member, Cleveland Conference
Member, Higher Educational Colloquium
American Educational Research Association
Committee for the Free World

Mr. NATCHER. Thank you, Mr. Finn.

Mr. FINN. I close with our warm invitation for your help.

APPLICATION OF SEQUESTER

Mr. NATCHER. For 1986, an amount of $2.579 million is being sequestered under this appropriation account, as you know. Describe, if you will, briefly, how this reduction was applied among your activities.

Mr. FINN. I will ask Mr. Elliott, who monitors our budget, to give you the detailed answer, but the principle by which we have applied it is one of equitable yielding up from all of the categories in our budget that are named in any of the relevant statutes, so that everyone pays his share.

Mr. ELLIOTT. Mr. Chairman, each program, project, or activity that is either named in an appropriation committee report or that appears in the President's budget becomes a governing category. 4.3 percent of the $59.978 million appropriated for OERI's Research and Statistics account is the total that you gave of $2.579 million.

That was distributed so that each of the nine named categories was reduced by 4.3 percent. $1.290 million was cut from the lab and center total of $30 million. For other research centers, the cut was $206,000; the ERIC programs were cut $204,000.

The National Assessment of Educational Progress was cut $172,000, and the statistics activities were cut $376,000. There are a few smaller reductions, each of which was applied to an item mentioned in one of the Appropriations Committee reports.

AUTHORIZATION FOR 1987

Mr. NATCHER. Are the research and statistics programs authorized for 1987 under current law?

Mr. FINN. The statistics programs are authorized. The research programs are not yet. A reauthorization bill that would swallow up the statistics program, as well, is making its way through both Houses. The House Subcommittee will mark it up this week.

Mr. NATCHER. Describe briefly to the committee the legislative changes being proposed by the Administration for 1987.

Mr. FINN. We submitted a major reauthorization bill to the Congress about two months ago that in effect maintains the reorganization that we undertook last summer under the Secretary's general authority, and it brings up to speed, up to modern times, some of the purposes and priorities of the Office of Educational Research and Improvement.

It does not fundamentally change any of the familiar categories of activities that were known to you. Our budget submission in turn reflects our substantive priorities that would be allowed under this reauthorization.

REORGANIZATION

Mr. NATCHER. Why was the National Institute of Education abolished?

Mr. **Finn**. Because the Secretary felt, and I felt that it was no longer able to serve the purposes that had been entrusted to it. It had too much history, if I can put it that way.

It had too many difficulties, and it was part of a very awkwardly structured and heavily layered. Office of Educational Research and Improvement that needed to be restructured.

Mr. **Natcher**. Has the reorganization of research and statistics made any real difference, Mr. Finn, in the administration or operation of these programs?

Mr. **Finn**. We think so, though we are only five months into the implementation of the reorganization. It is a little early to evaluate it, but an awful lot of excessively complicated infrastructure is no longer there, and an awful lot of internal organizational difficulties and layering and competitions and ambiguities are no longer there.

We have got a terrific team almost in place and are moving in the right direction, finally.

Mr. **Natcher**. Did the reorganization have any adverse effect on the research and statistics staff?

Mr. **Finn**. No, sir, the reorganization had no adverse effect on any of the staff.

Mr. **Natcher**. How many employees have left office since October 1 of 1985?

Mr. **Elliott**. It would be best if we supply that for the record.

Mr. **Natcher**. All right.

[The information follows:]

Staff Reductions

A total of 35 persons left the Office of Educational Research and Improvement between October 1, 1985 and April 15, 1986.

Mr. **Natcher**. Is the National Council on Educational Research still in existence?

Mr. **Finn**. Yes, sir, though its function was changed as part of the reorganization. It is no longer a policy-setting body. It is now an advisory body. Its purview includes all of OERI, not just the research function.

The newest report of the National Council on Educational Research is going to be public in a few days. The Council is very much in operation.

USE OF 1987 FUNDS

Mr. **Natcher**. In your 1987 request, tell us how much of the 1987 budget of $70.231 million is committed to existing projects and contracts, and how much is requested for new activities?

Mr. **Finn**. New activities total about $12 million, so the continuations of various kinds total about $58 million.

Mr. **Natcher**. Besides funding for the labs and centers, what other long-term funding commitments do you have in your budget?

Mr. **Finn**. The largest other long-term commitments are three in number. First, we have four additional centers which are not included in the lab and center category or set-aside; we have long-term commitments to them.

We have ERIC clearinghouses, with three and five-year contracts, and the National Assessment of Educational Progress, almost a $4 million a year activity.

In addition, we have some major statistical studies and surveys underway or under development. These are also multiyear activities.

INSTRUCTIONAL MATERIALS

Mr. NATCHER. Do you believe that there are certain research areas in education that the Department should not be involved in? For example, what about textbooks and instructional materials used in the classrooms?

Mr. FINN. Sir, our main obligation here is to assist teachers in becoming more effective in transmitting the content they are teaching.

A careful examination of what history and math teachers need to know to be good at what they are teaching will necessarily lead you sideways into what they are teaching, to know what qualifications they need to be effective teaching it. But we undertake no direct curriculum development or work of that kind.

AWARD DECISIONS

Mr. NATCHER. What is your personal role in the decisionmaking process used in awarding research grants and contracts?

Mr. FINN. I am ultimately responsible on the Secretary's behalf for the decisions that we make, and thus, for the grants and the contracts that the Department lets, and in carrying out that responsibility, I try to satisfy myself, using our peer review process throughout every stage in every one of these competitions, that we are making the best and wisest use of the taxpayers' dollars.

And in most cases, in the final stages, I try to take a look at the top proposals myself, in order to make my own judgment of them, too.

FUNDS ADMINISTERED BY OERI

Mr. NATCHER. In addition to the funds under this appropriation account, what other discretionary funds in the Department do you administer?

Mr. FINN. It is a goodly list. Mr. Elliott can probably recapitulate the major items.

Mr. NATCHER. You can place those in the record.

[The information follows:]

OTHER DISCRETIONARY FUNDS ADMINISTERED BY OERI

While the Secretary provides policy oversight, the Office of Educational Research and Improvement has the responsibility for administering about $13 million under the Secretary's Discretionary Fund (ECIA, Chapter 2) in fiscal year 1986. This includes the National Diffusion Network and a limited number of discretionary projects of national significance. In addition, OERI administers the Science and Mathematics Secretary's Discretionary Fund (EESA, Title II) totalling $3.9 million; the Excellence in Education Program (EESA, Title VI) totalling $2.4 million; the Leadership in Educational Administration Program (LEAD) amounting to $7.2 million; and $1.1 million in funds transferred from the Office of Elementary and Secondary Education, in accordance with congressional intent, to provide partial support for the National Assessment of the Chapter 1 program.

PEER REVIEW

Do you think the peer review and ranking procedures used in selecting potential research grant recipients are adequate in evaluating research proposals?

Mr. FINN. Yes and no, sir. We are trying to expand the peer review process to include all of our activities, including some where this process had not previously been used. We believe firmly in the principle of peer review.

In the Department of Education, it is an advisory function, not a decisionmaking process. It serves to advise the Secretary and people like me, we hope wisely, because we look for the ablest people in the country to serve as peer reviewers, and we nearly always end up taking their advice, which is usually quite insightful.

We are trying to beef up the peer review process throughout OERI right now.

APPLICATION RANKING

Mr. NATCHER. In approving applications for research funds, does your office always follow the ranking recommended by project reviewers?

Mr. FINN. Ordinarily, we follow the ranking recommended by project reviewers. We occasionally find ourselves in situations where we get split reviews, and one panel comes to one ranking and another panel comes to another ranking, or they rank two proposals neck-and-neck for very different reasons.

We have a lot of close calls where we sometimes need to make judgments ourselves.

RECOMPETITION OF LABS AND CENTERS

Mr. NATCHER. Under laboratories and centers, what is the status of recompetition of awards to laboratories and centers funded under your research program?

Mr. FINN. Sir, the major recompetition about which you have been hearing for several years was completed last year, during calendar 1985, and in fiscal year 1986 all of the laboratories are in the first year of a five-year contract.

Every part of the country now has a regional laboratory. The centers were also recompeted. As you perhaps recall from last year, there were to have been 11 centers. Ten were actually awarded late last year.

The 11th competition did not have a proposal that met our peer reviewers' standards, so we made no award. By the end of fiscal year 1986, resources permitting, we will put in place a substitute set of research activities in the area of teacher quality and effectiveness, which would have been the subject of the 11th center.

Mr. NATCHER. How many of the awards under the recompetition went to organizations that previously received such awards?

Mr. **Finn**. All but two of the lab awards and all but four of the center awards went to organizations that had previously received such awards.

Mr. **Natcher**. Have all of the planned awards been made for 1986?

Mr. **Finn**. No, sir. We have made the center awards that I referred to a few minutes ago, but we have several others currently underway; notably, including the successor to the Center for Teacher Quality and Effectiveness.

NEW STATISTICS ACTIVITIES IN 1987

Mr. **Natcher**. Under statistics, what specific projects would the additional funds be used for in fiscal year 1987?

Mr. **Finn**. Mr. Elliott, would you respond?

Mr. **Elliott**. Mr. Chairman, there are three major areas that are encompassed in these increases. One is for the activities that would improve the elementary and secondary education data base, a collection that Mr. Finn talked about earlier, where substantial improvements are required. Those activities will require $2 million of the proposed increase.

Along with that is a set of teacher surveys for more than $1 million. In addition, we are proposing expansions in national assessment to undertake the development of new kinds of questions, in expanded areas, and to look at the areas of comparable assessments across States, as mentioned earlier.

Those are the three largest areas of the increase in our budget for next year.

NECESSITY FOR STATISTICS

Mr. **Natcher**. How do you determine the necessity for the collection of educational statistics?

Mr. **Elliott**. Well, it is a negotiated process, sir. We spend a considerable amount of time and effort learning what it is that Governors, legislators, and State school officers, and people who run schools ask about.

There are a couple of thousand questions about education that come to the Information Services unit of OERI each month, and we look at the kinds of things people want to know.

We have inquiries from the Congressional Budget Office, the Congressional Research Service, Congressional committees, OMB and the Department's own policy-setting officials. All of the input from these various organizations go into our planning.

Sometimes, it is very evident that there is nothing we can do in a nationwide statistical collection to answer a question, because people want to understand something we have not learned how to measure. "What makes a good teacher?" is an example of such a question.

The inputs are many.

Mr. **Natcher**. Mr. Finn, we want to thank you and your associates for appearing before our committee at this time on behalf of your budget request for fiscal year 1987 for research and improvement.

Mr. **Finn**. Thank you very much.

Mr. **Natcher**. The committee will now recess until 2:00 this afternoon.

[The following questions were submitted to be answered for the record:]

NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS

Mr. Natcher: What products have been published during the past year based on work done under the National Assessment of Educational Progress?

Mr. Finn: Among the major reports and other releases were:

--The Reading Report Card - Reading Trends from 1971-1984.

--A videotape on reading trends, 1971-1984.

--A prepublication report on writing trends, 1974-1984.

--A development plan and brochure describing the assessment of literacy among young adults.

Mr. Natcher: Has the number and quality of the products been as high as you had expected?

Mr. Finn: The grantee has fallen behind schedule as a result of a number of complex problems that emerged when new and innovative methodologies were employed early in the grant period. Consequently, the number of products has not been as high as expected. Negotiations on the grantee's application for 1986 continuation funding have resulted in the grantee's assurance that the project will be brought back on schedule by the end of this year.

Under provisions of the legislation that authorized the NAEP, an Assessment Policy Committee appointed by the grantee is ultimately responsible for the quality of work and the products produced by the grantee. The "Reading Report Card", one of the first major reports produced by this grantee, presented an important new approach to describing reading proficiency. It was well received by the public.

All the products received from the grantee are subject to a peer review process. The reviewers' comments are then submitted to the grantee for consideration in improving the quality of the reports. In addition, the technical documentation report on the 1983-84 assessment is expected in December of this year. The NAEP staff in the Center for Statistics plan to convene a conference of experts to examine and discuss the quality of the methodologies employed and the adequacy of documentation in the NAEP.

Mr. Natcher: What reports are scheduled to be released during the coming year?

Mr. Finn: Under the terms of the continuation funding agreement for 1986, the grantee is committed to produce the following reports:

--A final writing trend report, 1974-1984.

--A reading cross sectional report from the 1983-84 assessment which will show the relationship between reading performance and student and school background factors.

--Statements of objectives for the subject matter areas assessed in the 1986 assessment.

--A technical documentation report of the 1983-84 assessment.

--A design specifications report for the 1988 assessment.

In addition to the above reports deriving from the basic grant, various add-on grants are funding the additional reports listed below.

--A report on the young adult literacy assessment.

--A final report on reading progress of language minority students based upon the 1983-1984 assessment.

--A report on the determinants of student computer usage from the 1983-84 assessment results.

--Short papers on homework, television watching habits, and working mothers.

Mr. Natcher: When will the National Assessment's study of bilingual education be completed?

Mr. Finn: Data are currently being collected as part of the 1986 assessment. Negotiations are underway for funding the analysis of these data. If the study is fully funded, it should be completed in June of 1987.

Mr. Natcher: What objections did the Department have with the preliminary findings of the bilingual study that required its conclusions to be revised?

Mr. Finn: Some of the findings in the earlier draft of the report were not substantiated by the available data, and some were speculative without reference to specific data sources. Several reviewers were of the opinion that certain methodologies employed by the authors were not appropriate to the study and may have resulted in spurious conclusions. Additionally, the number of students for whom assessment results were available was in some cases extremely small, especially when divided into race/ethnic groupings.

Mr. Natcher: Will the National Assessment undertake any new study areas in 1987?

Mr. Finn: The possibility of developing assessment materials for use in the 1988 assessment covering new learning areas is still under discussion by the Assessment Policy Committee. A final decision is expected by the end of May.

DATA ON VOCATIONAL EDUCATION

Mr. Natcher: What is your schedule for implementing the new vocational education data system, funded in part from this appropriation?

Mr. Finn: Our schedule calls for major analytic work during 1986 to provide information on vocational education to Congress and the public early in 1987. The Center for Statistics (CS) is fortunate in having on hand a large amount of data on vocational education from several extant data sources.

A prime source of data for this first report is the series of longitudinal studies carried out by CS (high school graduating classes of 1972, 1980, and 1982), which have the special advantage of permitting comparison of vocational education students with those in nonvocational programs. Information on teachers will be derived from a survey carried out in a sample of the schools attended by members of the classes of 1980 and 1982. Other sources include the Higher Education General Information Survey collection of occupational degrees and awards; the Integrated Postsecondary Data System Survey of Institutional Characteristics; the Current Population Survey of the Census Bureau; and the vocational student survey of the Office for Civil Rights. Results of two exploratory/feasibility studies being carried out by CS will also be reported: one of these is a study of State guidelines and standards for vocational programs; the other is concerned with special needs students in vocational education.

The table below shows the schedule of major data collection activities for the years 1986-1990 in support of the mandate in PL 98-524. As this table shows, the system proposed by CS is a derived system, relying almost entirely on general purpose data collections (for example, the National Assessment of Educational Progress, High School and Beyond, and the Integrated Postsecondary Education Data System) for information on vocational education students. Thus, vocational education programs and students can be viewed in the context of all of education. The new system does not rely on administrative records or on special surveys of vocational schools or students.

Data on Vocational Education
Plan, 1986-1990

Data to be Collected	Year of Collection				
	1986	1987	1988	1989	1990
1. Enrollments and Completions					
Secondary (NAEP/ESIDS Transcript study):					
Enrollment:					
Race/ethnicity	--	X	--	X	--
Sex	--	X	--	X	--
Handicapped	--	X	--	X	--
Completions:					
Race/ethnicity	--	X	--	X	--
Sex	--	X	--	X	--
Handicapped	--	X	--	X	--
Postsecondary (IPEDS):					
Enrollment:					
Race/ethnicity	--	--	X	--	X
Sex	--	X	X	X	X
Completions:					
Race/ethnicity	--	X	--	X	--
Sex	X 1/	X	X	X	X
2. Followup					
High school and beyond	X	--	X	--	--
NELS	--	--	--	--	X
NLS-72	X	--	--	--	--
NLS (Labor)	X	X	--	--	--
3. Staff and Facilities					
Secondary					
Teachers:					
Private school survey	X	--	--	--	--
Survey of teacher demand and shortage	X	--	X	--	X
NELS/ESIDS supplement	--	--	X	X	--
Facilities:					
NELS/ESIDS supplement	--	--	X	X	--
Postseocndary:					
Teachers:					
IPEDS	--	--	X	--	--
NELS supplement	--	--	--	--	X
Facilities:					
NELS supplement	--	--	--	--	X

Data to be Collected	1986	1987	1988	1989	1990
	Year of Collection				
4. Finance					
VEA expenditures	X	X	X	X	X
Vocational education finance	--	--	--	X	--
5. Handicapped Secondary Students					
NAEP Supplement	--	X	--	--	--

1/ Data from institutions of higher education only; collection from noncollegiate postsecondary institutions begins in 1987.

OERI FISCAL YEAR 1986 ACTIVITIES

Mr. Roybal: The Department recently made awards to ten national research and development centers and eight regional laboratories. For the first time since the original awards were made in the mid-60's, the Department held an open competition and used peer review. Has OERI instituted a formal policy on peer review?

Mr. Finn: Yes, OERI has instituted a formal policy on peer review.

Mr. Roybal: How will OERI respond to the Department-wide mandate to reduce the use of field reviewers in determining awards?

Mr. Finn: OERI's policy on the use of peer reviewers is that all major program-related decisions will be subject to the peer review process. This does not imply that all peer review will involve the face-to-face meeting of reviewers, traditionally called a panel process. OERI will put great emphasis on the use of "nominal groups" for peer review. This involves contacting peer reviewers by mail and phone. This will reduce travel and hospitality costs and will permit OERI to comply with the Department-wide policy on reducing field review costs without undermining the peer review process. OERI is working with professional associations and other groups to enlist support in recruiting competent and qualified peer reviewers who would provide their time as a voluntary public service.

Mr. Roybal: When and under what particular circumstances will OERI employ outside field reviewers, and conversely, when will the agency rely on internal reviewers?

Mr. Finn: Both external and internal reviewers are used to inform decisions in the following areas:

1. Formulating program plans and priorities within the boundaries established by statute and general administration policy.
2. Developing guidelines and criteria for grant and contract competitions and other program-related procurements.
3. Selecting grantees, contractors, and other recipients of funds administered by OERI and the performers, producers, and providers of services to OERI.
4. Evaluating OERI-supported projects and activities while in progress and upon completion.
5. Determining which products of OERI-supported work, warrant publication, distribution, or other forms of dissemination and promotion by OERI.

Mr. Roybal: OERI's budget request entails a wide range of research and information gathering activities. How adequate are the in-house resources for reviewing applications and proposals? Please provide detailed analyses of staff qualified to perform peer review functions according to the specific project, program, or activity.

Mr. Finn: The qualifications of staff members are very diverse and relate to numerous topics and specializations. Consequently, a detailed analysis of all staff for each program, project, or activity would be nearly impossible. We also use peer reviewers not only to augment our in-house resources, but also to bring additional perspectives to the review process.

Mr. Roybal: What was the impact of the reductions required under Gramm-Rudman-Hollings on OERI's various projects, programs, and activities?

Mr. Finn: The Gramm-Rudman-Hollings balanced budget law (GRH) resulted in a $2.579 million sequester in the Research and Statistics FY 1986 appropriation of $59.978 million, leaving a total of $57.399 million available.

Based on instructions for GRH, amounts for every program, project, or activity specifically identified in Appropriations Committee bills or reports (House, Senate, and Conference) were subject to the 4.3 percent reduction. For the Research and Statistics account, the following programs, projects, and activites were specified, and their budgets will receive 4.3 percent reductions:

	($ in thousands)		
	FY 1986 Pre-GRH Budget	FY 1986 Post-GRH Budget	Sequestered Amount
Regional educational labs and research and development centers..	$30,000	$28,710	$1,290
Three other research centers (Center for the Study of Reading, Institute for Research on Teaching, and the National Center for Bilingual Education)...	4,800	4,594	206
ERIC..............................	5,700	5,455	245
NAEP..............................	4,000	3,828	172
Chapter 1 study....................	1,600	1,531	69
Competitive, field-initiated awards for teacher training programs..........................	1,500	1,435	65
New research activities.............	3,000	2,871	129
Other activities....................	631	604	27

Mr. Roybal: Specifically, what projects and activities were delayed and/or cancelled?

Mr. Finn: No Research and Statistics program, project, or activity has been cancelled or delayed as a result of GRH. However, in some cases, a reduction in the scope of work will be required. For example, the National Assessment of Educational Progress award has been negotiated at the GRH level (4.3 percent cut), resulting in some reduction in areas such as general data analysis, technical assistance, and assessment development.

Mr. Roybal: What criteria and guidelines did the agency employ in making the cuts?

Mr. Finn: We had no latitude in determining the reductions for each category of program, project, or activity, as those were determined in accordance with GRH instructions. Below that level, we applied the principle of equitable treatment, such that all within a category would pay a fair share of the reduction.

Mr. Roybal: How will the reductions be made in the PPA affecting laboratories and centers? What funds were available to offset the reductions? What are the agency's plans and time frame for using the remaining funds?

Mr. Finn: Of the $30 million originally budgeted for the labs and centers, $17 million was targeted for the regional educational laboratories and $13 million for the research and development centers. GRH requires a reduction of 4.3 percent or $1.290 million for the labs and centers combined.

We believe that the two programs should share equitably in absorbing the reduction, and have developed a pro rata formula for reaching the revised level for FY 1986:

Activity	Original Estimate	Reductions for GRH	Revised Level
Labs........	$17,000,000	$ 731,000	$16,269,000
Centers.....	13,000,000	559,000	12,441,000
Total...	30,000,000	1,290,000	28,710,000

Before the GRH reductions were known, awards totalling $16.7 million had been made to the labs, and we had funded ten new centers (totalling $9.7 million). One of those, the Center on Teacher Education, was funded at $500,000, rather than at the $1.2 million originally planned. Again, this was before the GRH reductions were known, and was done for programmatic reasons. Consistent with the quality of applications received in the competition, we did not approve any of the applications submitted for a center on teacher quality and effectiveness. Because of these changes in planned commitments, the funds still available need only be reduced by $559,000 to achieve the GRH reduction in the center program. (We also are planning to reduce our award for the continuation of a center on technology by 4.3 percent.)

Since only $272,000 remains unobligated of the labs' original $17 million budget, which is not adequate to cover the labs's fair share of the 4.3 percent reduction, I have asked the labs to return 2.74 percent of the FY 1986 amounts previously awarded. If they do not, then the budget for the center program, which will have already met the 4.3 percent cut, will have to absorb further reductions.

We still have a strong commitment to support research on teacher quality and effectiveness. Thus, we plan to devote whatever FY 1986 lab and center funds remain available to us after GRH for this purpose. The funds would be awarded by September 30, 1986.

Mr. Roybal: According to the Department's figures, OERI has approximately $2.74 million for new initiatives. When and how will the OERI make those funds available? Through grants, contracts, or?

Mr. Finn: After a 4.3 percent GRH sequestration, new FY 1986 funds available in the research and statistics account totalled $2.87 million.

OERI's Office of Research will be supporting a field-initiated research grants competition and will support research contracts in the areas of effective schools, teacher education, and higher education and adult learning. Research synthesis contracts in the arts and humanities and programs that work for disadvantaged youth will be supported, as well as a research fellowship program. ($1.4 million)

Our Information Services unit will be supporting contracts to improve the dissemination of information generated throughout OERI and the research and statistical projects it supports. ($.3 million)

Programs for the Improvement of Practice has approximately $1.2 million in new awards planned. They include contracts for the congressionally-mandated program to improve teacher education, and a new initiative on Partnerships with Practicing Educators--we will sponsor a series of conferences with existing networks of State and local personnel to focus on critical issues such as reducing the dropout rates, particularly in urban areas.

All of these procurements are scheduled to be awarded by September 30, 1986.

REORGANIZATION AND REAUTHORIZATION

Mr. Roybal: When the Secretary announced reorganization of the Department's research, statistics, and improvement activities, he said the plan was devised to streamline the administration and improve the coordination of activities. What progress has been made toward those goals which would allow the Secretary to say that the current organization significantly improves upon the previous one?

Mr. Finn: Although we are only five months into the reorganization and it is a little early to evaluate it fully, we believe definite progress has been made. An awful lot of excessively complicated infrastructure as well as internal organizational difficulties, layering, competitions, and ambiguities no longer exist. We have got a terrific team almost in place and are finally moving in the right direction.

Mr. Roybal: Have the key staff positions been filled? By whom?

Mr. Finn: To answer the first question, yes; they have been filled.

The Deputy Assistant Secretary for Policy and Planning is Dr. Ronald P. Preston. He has an extensive background in education, policy development, research, and the legislative arena.

Dr. Bruno Manno has just been brought on board as OERI's Planning Coordinator. Previously, he was Research Director of the

National Catholic Education Association, and he has extensive experience in research and planning in the private sector.

The Director of the Center for Statistics is Emerson Elliott, who also serves as the Acting Deputy Assistant Secretary for Operations. Mr. Elliott has had a long and eminent career in the Federal service, and his management expertise is a tremendous asset to OERI.

Dr. Anne Mathews is the Director of Library Programs. Dr. Mathews' background reflects a lifetime of scholarly productivity as well as administrative excellence. She is also a highly qualified librarian.

Mr. Jim Bencivenga is the Director of Information Services. Previously, he was the education editor of the Christian Science Monitor. He also was one of the major contributors to the success of "What Works".

Dr. James Capua is the Director of the Secretary's Discretionary Fund activities. He has extensive experience as a grantor within the field of education while at the Institute of Educational Affairs.

Dr. Sally Kilgore will arrive in May as Director of the Office of Research. She is joining us from the Department of Sociology at Emory University. In addition, she also worked with Dr. James Coleman. Dr. Gilgore is a highly respected researcher in the field of education.

Mr. Roybal: What are the mechanisms for coordinating OERI's activities with other Department activities such as OPBE and research conducted in other offices like OSERS?

Mr. Finn: OERI has used the coordinating mechanisms which have traditionally been available to Federal professionals, particularly those involved in research:

-- Attending seminars and presenting papers on current, contemplated or completed research. In addition to outside professional meetings, the Outreach Staff of the Information Services unit in OERI has sponsored seminars to inform professionals of the Department and to obtain reactions to research activities.

-- Publications of OERI are regularly circulated for information or review to relevant portions of the Department before they are distributed outside of the Department. (For example, "What Works" and "The Condition of Education".)

-- Components of OERI officially consult with relevant sectors of the Department, when research is contemplated, or when major research findings become available. Outstanding recent examples are the consultations regarding the Redesign of the Elementary and Secondary Data Collection in the Center for Statistics, and the consultations with FIPSE on the Postsecondary Assessment study to be done by the Office of Research.

-- Coordination also takes place at other official points--e.g., requests for budgets, requests for forms clearance, procurement proposals.

-- Coordination also occurs through the informal networks that professionals working in the same areas always construct to improve their work.

Recognizing that these coordinating mechanisms may not be adequate to the task, the Secretary announced the establishment of a Task Force on Research Priorities, under the chairmanship of the Assistant Secretary for Educational Research and Improvement. This Task Force consists of the senior policy officials of the Department. The purposes of the Task Force are:

-- To advise the Secretary and other policy makers about major research findings, so that policy decisions will be based on informed judgment.

-- To inform those who plan ED research and make research policy about major issues facing the Department and the significant gaps in our knowledge about how to resolve these issues.

-- To coordinate information exchange, plans and programs in the field of research across the Department.

-- To repair the educational data base.

-- To improve the quality of ED research.

At the April 3 meeting of the Task Force, each principal component designated staff to serve as the coordinating leader or contact for that component and to serve on Task Force committees. Among the activities contemplated by the Secretary's Task Force on Research Priorities are:

-- An annual report to the Secretary, containing an inventory of the research and research findings in particular substantive areas.

-- A management information system, describing particular characteristics of research in progress, recently completed or contemplated in the near term.

-- Coordination and collaboration of the research needed in particular subject areas, e.g., language learning, an area of interest to at least OERI, OBEMLA, OCR, OPBE and OSERS (particularly by the hearing impaired).

The full Task Force meets quarterly to receive the reports of the subcommittees, to provide guidance for future work, and to exchange information on research priorities.

ADMINISTRATION OF DISCRETIONARY FUND

Mr. Roybal: Why is it more appropriate to administer and manage the portion of the Secretary's Discretionary Fund under Chapter II that goes toward projects such as the grants program for the Three C's in OERI rather than OPBE?

Mr. Finn: The Department's Office of Planning, Budget and Evaluation (OPBE) is an analytical, fiscal and policy unit, with little capacity for administering programs, and as such would be an inappropriate office to administer the work of the Discretionary Fund. OERI on the other hand is comprised of a number of units with personnel experienced in the administration of grant competitions.

RESPONSIBILITY FOR EVALUATION

Mr. Roybal: If Congress mandates an evaluation on the order of the current Chapter I Study, would OERI or OPBE be considered the likely responsible agency? Why?

Mr. Finn: Although OERI has the requisite capability, so does OPBE, which houses the Department's principal program evaluation staff. One of the principles under which we are operating is that OPBE should undertake evaluations of Department programs while OERI appraises the overall performance of the Nation with respect to education in general.

EXCEPTED APPOINTMENT AUTHORITIES

Mr. Roybal: OERI recently instituted a new policy affecting excepted hiring authority appointments. The policy led to the review and subsequent dismissal of several staff. What were the reasons underlying the development of a policy?

Mr. Finn: The new excepted appointment policy for non-bargaining unit staff became effective on February 23, 1986. The policy very clearly acknowledges the differences between the competitive service and the excepted service.

The new policy reflects the view that the basis for use of the excepted appointment authorities is "rank in the individual" (rather than the position), as judged by education, training, experience, and special skills. It recognizes that the most effective use of the authorities is accomplished through recruitment, appointment, pay, and termination provisions that differ from comparable features of the competitive services. Under the new policy, administration and management of the excepted authorities are centralized and consistent across OERI. Additionally, a board of overseers provides advice on policies and procedures and conducts periodic audits of OERI's use of the excepted authorities.

Our new policy is sound and reasonable, and will encourage and support more appropriate and effective use of OERI's excepted appointing authorities.

Mr. Roybal: What were the procedures and criteria used to review personnel affected by the changes in policy?

Mr. Finn: The changes in OERI's excepted appointment policy were not directly related to the review. The policy governs all new excepted service positions not in the bargaining unit.

The two reviews of excepted staff were either planned or held prior to the effective date of the new policy. Further, the reviews were held for only those staff who had held excepted service appointments for six years or more, or whose term was expiring. The objective of the reviews was to ensure the best possible match between OERI's personnel requirements and its resources.

All those excepted staff who were to be reviewed received a letter telling them about the review and requesting information from them which would be the basis for the review (e.g., accomplishments, products, and performance appraisals). Additionally, I held a meeting with them for the purpose of answering any questions they had. After the members of the review committee reviewed the material submitted and met to discuss their findings, the group submitted its recommendations to me. I also reviewed files and records myself and obtained additional advice. The excepted staff were then notified by letter of my decisions.

Specifically, the committee's recommendations were based upon its judgment of the following:

1. How well has the employee performed?
2. What skills, expertise, or talents does the individual bring to OERI?

3. How and to what degree do the employee's skills, expertise, and talents fit or match OERI's requirements, mission, and structure?

4. How well do the employee's writing skills fit the requirements for the duties to which (s)he might be assigned?

5. What decision concerning the status of the employee's appointment would be to OERI's best advantage in carrying out its mission?

Mr. Roybal: How will the loss of personnel affect program operation in each of the five units?

Mr. Finn: There will definitely be a period of temporary disruption since some of the staff who will be leaving held important positions. This situation will, of course, only exist for the short term.

Mr. Roybal: What gaps in expertise and knowledge were created?

Mr. Finn: The loss of some staff will result in a gap in staff knowledge of the historical background and inner workings of OERI, but I don't consider this a serious problem.

A point that I have made often is that during 1986 I intend to move OERI closer to the long-term goal of putting together the right mix of skills, talents, experience, and expertise needed to accomplish our challenging mission with accuracy, efficiency, and style. Improving management and use of our excepted appointing authorities is key to the success of this goal.

Mr. Roybal: What are the OERI's plans for bringing on board replacements? How will the disruptive effects a transition be minimized?

Mr. Finn: We are using a variety of recruitment and selection processes, including announcing OERI's requirements for competencies, skills, talents, etc., both nationwide and to targeted audiences, as well as conducting telephone-based recruitment searches, as has been done so successfully before. We also are reviewing OERI's applicant file, in which we keep letters and resumes that people (many of whom are highly qualified) send to us. In addition, there are times when a candidate for an excepted position will be identified directly. In all cases, however, there are standards based on OERI requirements that candidates must meet.

FISCAL YEAR 1987 REQUEST

Mr. Roybal: What is the rank order of priorities for the $12.2 million increase requested in funding?

Mr. Finn: The increase we are requesting would support approximately $12.2 million in new activities.

We have carefully planned a portfolio of activities that complement each other toward accomplishing three main goals: (1) improving our analyses and data on the conditions of American education and the consequences of various reforms; (2) finding answers to major educational problems; and (3) disseminating what we know in forms useful to all those who can make a difference in improving education--teachers, administrators, parents, legislators and other policy makers, and researchers.

We are in the midst of an historic educational reform movement sparked by the American people, who aren't satisfied with the present condition of their education system. We believe that in making these reforms, the public, Congress and professional educators want and deserve better information; that these reforms deserve study, evaluation, and explanation; and that people who can make a difference should be told what seems to be working, what doesn't, and why, in order to make wise decisions of their own.

In this context, we have planned a comprehensive, balanced program to deliver reliable, accurate, and understandable information about education. We rank each aspect of the increase as a high priority; any single segment standing alone would not deliver the information and data needed by the education community to speed the recovery of the Nation's educational system.

Mr. Roybal: What proportion of the total budget will go toward the support of independent research by individual researchers? Toward institutional program support?

Mr. Finn: In FY 1987, we anticipate that approximately 11 percent (or $7.7 million) of the $70.2 million requested will support independent research by individual researchers or teams of researchers. Approximately 66 percent (or $46.4 million) will provide support for institutions such as the Labs and Centers, the National Assessment of Educational Progress, and the Educational Resoruces Information Center network. The remaining 23 percent (or $16.1 million) will primarily support statistical activities ($13.8 million) but also includes funds for the OERI Research Library and other dissemination activities.

FUNDS ADMINISTERED BY OERI

Mr. Conte: Mr. Finn, as we've gone through the Departmental hearings these past few days it's become less and less clear to me where the various research funds are being spent. Can you give me a total figure for the amount of money under your control, not just the request you are presenting to the Subcommittee today?

Mr. Finn: I have direct responsibility for funds appropriated for Educational Research and Statistics and for the Libraries Programs, totalling $57.4 million and $122.0 million respectively in FY 1986 (after sequestering). The Office of Educational Research and Improvement (OERI) administers another $28.6 million, most of which is under the Secretary's direct policy oversight.

In total, OERI is responsible for administering FY 1986 Department of Education programs representing approximately $208 million (after sequestering).

Mr. Conte: For the record, provide a listing of what this money is being used for, showing all the programs and the amount in each.

Mr. Finn: The information follows:

	($ in thousands) FY 1986 Amount After GRH Sequester
Research and Statistics	$ 57,399
Library Programs	122,017
Secretary's Discretionary Fund (ECIA, Chapter 2)	12,092
Dissemination activities (including NDN)	(10,240)
Discretionary activities	(1,852)
Science and Mathematics Secretary's Discretionary Fund (EESA, Title II)	3,876
Excellence in Education (EESA, Title VI)	2,392
Leadership in Educational Administration (LEAD)	7,177
Territorial Teacher Training Assistance Program	1,914
National Assessment of Chapter 1 Program (from Chapter 1 funds)	1,100
Total	207,967

TEACHER TRAINING GRANTS

Mr. Conte: In last year's conference report, Mr. Finn, we included language providing for $1.5 million to be used for a program of competitive, field-initiated grants to collegiate schools and departments of education, working together with the laboratories to improve teacher training programs. When are you going to put that money into the field?

Mr. Finn: In FY 1985, OERI funded 30 projects to improve teacher education, with 29 institutions of higher education and a regional service center as prime contractors. We are continuing these projects in FYs 1986 and 1987. In addition, OERI has recently announced a program of field-initiated research grants for FY 1986. Collegiate schools and departments of education are eligible to compete for these grants. As resources permit, OERI intends to pursue additional teacher education projects.

Mr. Conte: I am very unclear as to how your office applied the cuts mandated under Gramm-Rudman. Can you provide us with a detail of how those cuts were applied across all your office's activities?

Mr. Finn: The Gramm-Rudman-Hollings balanced budget law (GRH) resulted in a $2.579 million sequester in the Research and Statistics FY 1986 appropriation of $59.978 million, leaving a total of $57.399 million available.

Based on instructions for GRH, amounts for every program, project, or activity specifically identified in Appropriation Committee bills or reports (House, Senate, and Conference) were subject to the 4.3 percent reduction. For the Research and Statistics account, the following programs, projects, and activities were specified, and their budgets will receive 4.3 percent reductions:

	($ in thousands)		
	FY 1986 Pre-GRH Budget	FY 1986 Post-GRH Budget	Sequestered Amount
Regional educational labs and research and development centers.	$30,000	$28,710	$1,290
Three other research centers (Center for the Study of Reading, Institute for Research on Teaching, and the National Center for Bilingual Education)..	4,800	4,594	206
ERIC.............................	5,700	5,455	245
NAEP.............................	4,000	3,828	172
Chapter 1 study..................	1,600	1,531	69
Competitive, field-initiated awards for teacher training programs........................	1,500	1,435	65
New research activities...........	3,000	2,871	129
Other activities..................	631	604	27

Mr. Conte: The situation that confuses me the most is with the labs and centers. As I understand it, you didn't fund one center and cut funding to a couple of others. In addition you have asked the labs and centers to return money already awarded. Can you clear this situation up for me? What is going on in the labs and centers program in FY 1986?

Mr. Finn: Of the $30 million originally budgeted for the labs and centers, $17 million was targeted for the regional educational laboratories and $13 million for the research and development centers. GRH requires a reduction of 4.3 percent or $1.290 million for the labs and centers combined, because the two programs were combined in the committee reports.

We believe that the two programs should share equitably in absorbing the reduction, and have developed a pro rata formula for reaching the revised level for FY 1986:

Activity	Original Estimate	Reductions for GRH	Revised Level
Labs........	$17,000,000	$ 731,000	$16,269,000
Centers.....	13,000,000	559,000	12,441,000
Total...	30,000,000	1,290,000	28,710,000

Before the GRH reductions were known, awards totalling $16.7 million had been made to the labs, and we had funded ten new centers (totalling $9.7 million). One of those, the Center on Teacher Education, was funded at $500,000 (not at the $1.2 million originally planned) for programmatic reasons. Consistent with the quality of applications received in the competition, we did not approve any of the applications submitted for a center on teacher quality and effectiveness. Because of these changes in planned commitments, the funds still available need only be reduced by $559,000 to achieve the GRH reduction in the center program. (We also are planning to reduce our award for the continuation of a center on technology by 4.3 percent.)

Since only $272,000 remains unobligated of the labs' original $17 million budget, which is not adequate to cover the labs' fair share of the 4.3 percent reduction, I have asked the labs to return 2.74 percent of the FY 1986 amounts previously awarded. If they do not, then the budget for the center program, which will have already met the 4.3 percent cut, will have to absorb further reductions.

We still have a strong commitment to support research on teacher quality and effectiveness. Thus, we plan to devote whatever FY 1986 lab and center funds remain available to us after GRH for this purpose. The award(s) would be made by September 30, 1986.

NEW ACTIVITIES IN 1986

Mr. Conte: Going back for a minute to the money for teacher training programs. Those funds were part of a total $3 million in new discretionary activities. From what I understand, you are proposing to use another $500,000 of those funds for unsolicited proposals. Can you tell me what will happen to the rest of that money?

Mr. Finn: Actually, funds for the teacher training programs are in addition to the funds provided for new research activities. After funding teacher training and field-initiated grants (unsolicited proposals), $2.6 million remains for the following new discretionary activities.

OERI's Office of Research will be supporting research in the areas of effective schools, teacher education, and higher education and adult learning. Syntheses of research in the arts and humanities and programs that work for disadvantaged youth will also be conducted, as well as a research fellowship program. ($1.1 million)

Our Information Services unit will be supporting projects to improve the dissemination of information generated throughout OERI and the research and statistical projects it supports.
($.3 million)

Programs for the Improvement of Practice has approximately $1.2 million planned for a new initiative on Partnerships with Practicing Educators in which we will sponsor a series of conferences with existing networks of State and local personnel to focus on critical issues such as reducing dropouts particularly in urban areas.

PLANS FOR THREE CENTERS IN FY 1987

Mr. Conte: You have three centers, I believe, including the ones on Reading and Bilingual Education, that are not part of the Labs and Centers Program. What are your plans for these centers in FY 1987? Will they be competed?

Mr. Finn: The contract for the current Center for the Study of Reading is scheduled to expire in FY 1986. In order to ensure a continued focus on reading beyond that date, OERI is conducting an open competition to support a research center whose primary focus is research on and the study of reading. The announcement of that competition appeared in the Federal Register on April 22, 1986, and application packages are available to all interested parties. The Secretary anticipates making one award in the amount of $1.2 million for FY 1987, the total award not to exceed $6.0 million for the five-year project.

A complementary research grants competition on reading and literacy will also be competed in FY 1987. An announcement appeared in the Federal Register on the same day as the Reading

Center notice. These combined efforts will provide a full range of reading research activities.

The Center for Bilingual Research and Second Language Education began its contract with OERI on June 1, 1985, and is scheduled for third year funding of $1,601,000 in FY 1987.

The Institute for Research on Teaching, whose contract expires in FY 1986, will not be recompeted. The $1,525,000 that would have been used for the center were it to be recompeted will instead be used to support several large grants for research on teaching of the various disciplines and subjects.

Mr. Conte: Can you tell me what you have done in FY 1986 in regards to the Educational Resources Information Center (ERIC) system? Have these centers all been re-competed?

Mr. Finn: Currently, the Educational Resources Information Center (ERIC) system consists of a coordinating staff in OERI, 16 topical clearinghouses located at universities or professional organizations across the country, and several support contractors.

During FY 1986, a 12-member study panel was named to advise me on the redesign and operation of ERIC. The purpose of the ERIC Redesign Study is to examine and evaluate the effectiveness and efficiency of the ERIC system in terms of its capacity to respond to the existing and projected information needs of educators, policy makers, scholars, students, the press and the general public.

Twelve of the 16 ERIC clearinghouses were recompeted during FY 1986; these 12 have received or very shortly will receive two-year contracts. Of the remaining four clearinghouses, three were funded in previous fiscal years and one other will receive a contract extension.

Mr. Conte: Have you begun to get any information in as a result of your analyses of the structure and benefit of these centers?

Mr. Finn: The ERIC Redesign Study is just now getting underway. Preliminary findings will be available in June, and the final report with recommendations is due in September 1986.

Mr. Conte: What are your long-term plans for the ERIC system?

Mr. Finn: The findings and recommendations of the ERIC Redesign Study will influence our long-term plans for the ERIC system. As a result of this study, the ERIC program, most likely, will undergo some consolidation and streamlining, and the scope of many of the clearinghouses may be modified. We anticipate that the next series of ERIC clearinghouse competitions will begin during the spring of 1987 with January 1988 awards.

NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS

Mr. Conte: As I understand your budget request, part of the $10 million or so increase you are requesting would go for the National Assessment of Educational Progress (NAEP). This is the same program, Mr. Finn, which you recently criticized for the report on bilingual services. Why are you asking for an increase in a program you just characterized as "misleading, oversimplified, and speculative"?

Mr. Finn: The National Assessment of Educational Progress is a large program that includes many subparts. The report of reading proficiency of language minority students that I recently criticized actually resulted from additional funds granted by OBEMLA for a special analysis of NAEP data reported for such students--not an integral or ongoing NAEP activity. Note, it was the report I was criticizing, not NAEP.

School officials and others have been heard to complain that not enough learning areas are covered by NAEP often enough. There have also been complaints that NAEP focuses too much on basic skills while largely ignoring both content knowledge and higher order skills. The current assessment cycle is biennial. Current funding limitations constrain future assessments to two or three learning areas in each cycle and do not cover the assessment of higher order cognitive skills.

The current grantee, ETS, expects that it will need to supplement the Government's grant with an additional $1.2 million of its own funds in FY 1986 to carry out NAEP activities.

My request for additional funding is based upon the expressed need for broader coverage of the learning areas found in most elementary and secondary schools. There is also the need to develop additional materials in the area of higher order skills and provide for extended analysis of the results, for which current funding levels are not adequate.

RESEARCH ON THE BASICS

Mr. Conte: Turning to your office more generally, what role does the work of OERI have to play in addressing significant national education problems, such as illiteracy? In reality, do we really need more research on the basics -- reading, writing and arithmetic?

Mr. Finn: OERI's mission is to collect various types of information on the condition of American education and disseminate it to the American people. It does this through its five program units. Its role, therefore, is important and crucial in addressing significant national education issues and problems whatever they may be.

OERI is involved in investigating the issue of illiteracy. For example, our Library Programs unit has issued a report on "The Literacy Challenge." This report overviews the literacy activities supported by the Library Services Construction Act for FY 1982 to FY 1984.

Our research on the basics you mention--reading, writing, and arithmetic--is very limited in scope and in the amount of data we have. For example, the National Assessment of Educational Progress (NAEP)--also called the Nation's Report card--surveys the educational attainments of 9, 13 and 17-year olds on a yearly basis. It does this in only one learning area per year. This is not often enough if we really want to monitor student achievement on a regular basis. Our budget request for the Center for Statistics includes money for the redesign of our Elementary and Secondary Data Collection Program. This redesign is needed and will assist us in trying to remedy the little data we have on the topics you described as the basics.

MEASURES OF STUDENT ACHIEVEMENT AND PROFESSIONAL PERFORMANCE

Mr. Conte: Do you think that OERI currently has or can develop adequate measures of student achievement and professional performance?

Mr. Finn: OERI is actively involved in providing leadership in the areas of student testing, higher education assessment, and teacher performance assessment. We sponsor the development of methodologies, keeping pace with today's demands for objective information. We foster understanding and communication by conducting critical analyses of testing practices and by preparing materials for diverse audiences. We are currently in the process of examining the array of instruments used by the States to certify teachers and examining ways to increase the usefulness of the National Assessment of Educational Progress for State and local education agencies. In addition, we are sponsoring the examination of instruments and methods currently used to assess the learning of college students.

RESEARCH ON TEACHING AND ON IMPROVING TEACHER QUALITY

Mr. Conte: In addition, what does OERI intend to do with respect to research on teaching and on improving teacher quality?

Mr. Finn: We have described a grants competition in response to your question on the three other centers (above), and we will be supporting additional research efforts in this area. The Center for Teacher Education at Michigan State University will attempt to identify the academic preparation that teachers need in order to become more well-grounded in subject areas they teach, and use this information to upgrade and improve the quality of pre-service teacher education programs. We also will be conducting a study of teachers in the context of what they do in classrooms, thus identifying the knowledge, practices and skills which teachers believe are necessary for improved instructional programs. This information will be provided to teacher training institutions for their use in planning more effective teacher training programs.

PEER REVIEW

Mr. Conte: Both you and the Secretary have said that the research that OERI supports should be free of political bias and of high quality. What steps are you taking to ensure that research proposals meet these criteria given the Department's new policy that restricts reliance on outside reviewers?

Mr. Finn: OERI is committed to the external peer review of all major program-related decisions. We view this peer review process as a major way to support and a crucial step forward in conducting research that is free of political bias and is of high caliber. In brief, the use of peer review involves obtaining advice about a decision. This advice is solicited from persons who have no direct stake in the outcome of the decision. They do possess relevant perspectives, expert knowledge, or pertinent experience.

Central to the process of peer review is the conviction that reviewers should be drawn from all the constituencies and audiences which OERI represents. What unites this diverse group is the fact that they are all distinguished individuals who have the ability to make significant and cogent contributions to the OERI peer review process.

Our external peer review process conforms to the general policy developed by the Department on the issue of outside reviewers. OERI is working with various professional organizations and other groups to implement our external peer review policy.

DISSEMINATION OF FINDINGS

Mr. Conte: How does OERI intend to ensure that the findings of education research and data gathering are shared with education professionals and the public at large?

Mr. Finn: OERI provides information services and technical assistance to the education community and the general public in a multifaceted, yet integrated manner. It is integrated in that diversified activities are collaboratively planned within OERI and between OERI, the ERIC clearinghouses, and the educational laboratories. A common computer-based project monitoring system is creating an integrated data base on all research, statistical, and exemplary program products. This data base is accessible to all major offices and functions. An OERI Information Service Advisory Council meets regularly to consider dissemination strategy, targeted product development, and various collaborative activities. Information Services, through the public information office, the outreach office, and the ERIC clearinghouses, provides a wide array of services to the general public, associations and organizations, and State and local units. The public information office provides a toll free telephone response service, and a targeted products staff develops materials for particular audiences (e.g., "What Works"). Programs for the Improvement of Practice, through the regional laboratories, technical assistance functions and National Diffusion Network, provides regional dissemination and technical assistance to the educational community. Each regional education laboratory has a clearly defined responsibility and has developed specific goals for dissemination within its region. One key goal of labs is serving State education policy audiences. The Office of Research coordinates the operation of the various research centers, each with a defined dissemination responsibility including collaborative dissemination with other centers and with regional laboratories. Each center has submitted plans for disseminating research findings in its particular field to appropriate networks. The Libraries Programs provide an extensive variety of information services as a major purpose, and the Center for Statistics disseminates statistical information through a highly visible set of publications.

New efforts are underway to use national and international telecommunications systems to provide more immediate service to the media and the education community.

INCREASE FOR RESEARCH AND IMPROVEMENT

Mr. Porter: In your budget request, you are proposing a rather substantial increase above the FY 1986 appropriated level for Educational Research and Statistics. Why are these additional funds necessary, especially when other education accounts are facing cutbacks?

Mr. Finn: As Secretary Bennett has indicated, this Department has no function more important than the production of high-quality research and accurate information about the condition of all levels of American education from elementary through post-graduate. We are firmly committed to strengthening the Department's research and statistics capability in order to produce data and studies that will be useful to parents, teachers, administrators, scholars, and legislators, as well as the Department itself.

We are in the midst of a national reform movement in education, and the need is now greater than ever to provide honest and accurate information about what is and isn't working and why. Not only is this a good investment, it is also an economical one. Our total request represents less than one-half of 1 percent of the Department's total FY 1987 request--an infinitesimal fraction of the Nation's $260 billion educational enterprise.

RESEARCH AND DEVELOPMENT CENTERS

Mr. Porter: What are some of the current ongoing projects and studies at the National Research Centers?

Mr. Finn: Information about the ten new centers follows:

Center for Effective Elementary and Middle Schools

The mission of the Center on Effective Elementary and Middle Schools is to produce useful knowledge about how elementary and middle schools can foster growth in student's learning and development, to develop and evaluate practical methods for improving the effectiveness of elementary and middle schools based on existing and new research findings, and to develop and evaluate specific strategies to help schools implement effective research-based school and classroom practices.

Major Projects:

Program on Effective Elementary Schools
Program on Effective Middle Schools
Program on School Improvement

Center on Effective Secondary Schools

The mission of the Center on Effective Secondary Schools is to learn how to improve the achievement of all students through strategies at the school site that enhance student engagement. Special attention is directed to the needs of disadvantaged and less successful students. Research on improving academic achievement will be guided by three central assumptions: (a) that the conception and measurement of appropriate forms of achievement are themselves problemmatic--the mission should not be construed simply as increasing student scores on tests currently in use; (b) that to improve academic achievement, we must first understand how to increase student engagement in academic work; and (c) that although policies and conditions originating beyond the school have substantial impact on student achievement, more attention must be given to levers at the school site; that is, to the strategies that teachers and administrators can use to alter conditions in their own schools to increase students' engagement and achievement.

Major Projects:

Academic Achievement
Higher Order Thinking Area
At-Risk Student Area
Staff Working Conditions Area
School Change Area

Center on Education and Employment

The mission of the Center on Education and Employment is to determine the implications for education and training of the important kinds of changes that are occurring in employment and the economy. Included are issues of both the education and training that is being provided through formal systems of schooling and the education and training that is being provided through employers or other kinds of institutions. Issues of the quality and content, and the timing and place of education and training in relation to the worklives of individuals and the performance of the economy will be emphasized. Such issues are likely to grow in importance in the years ahead as technology changes and we make the transition in our economy to a postindustrial age.

Major Projects:

Trends in the Nature and Structure of Work
Learning In and For the Workplace
Policies and Structures Affecting Education, Training and Employment Systems in the Public and Private Sectors

Center for Improving Postsecondary Learning and Teaching

The Center for Improving Postsecondary Learning and Teaching focuses its research, development and dissemination activities on five aspects of college learning environments that affect learner outcomes: (a) classroom learning and teaching strategies; (b) curricular structure and integration; (c) faculty attitudes and teaching behaviors; (d) organizational practices; and (e) use of emerging information technology. While recognizing multiple student outcomes of college such as cognitive development, personal development, and career development, the Center emphasizes cognitive development of undergraduate students in colleges that concentrate on teaching as their primary mission. This emphasis was chosen because the recent dramatic progress of research in cognition holds great promise for improving learning and teaching.

Major Projects:

Program on Instructional Processes and Educational Outcomes
Program on Curricular Integration and Student Goals
Program on Faculty as a Key Resource

Program on the Context for Teaching and Learning
Program on Learning and Teaching and Technology
Program on Research, Leadership, Design and Integration

Center for Postsecondary Governance and Finance

The mission of the Center for Postsecondary Governance and Finance is to improve the effectiveness, efficiency and equity of teaching, research and public service in postsecondary education through programs of policy research and dissemination of information designed to improve governance, management and finance practices. The concerns of postsecondary education will be pursued at the institutional, interinstitutional, State and Federal levels. These aims include: (a) promoting learning through teaching; (b) creating new knowledge through research and scholarship; and (c) disseminating knowledge and providing assistance through public service activities.

Major Projects:

Examination of National Trends and External Agencies that Affect Campuses
Examination of Internal Campus Governance, Management and Finance Processes
Examination of Bodies of Organizational Theories Produced in Various Disciplines that Have Relevance to Higher Education Research and Practice

Center on State and Local Policy Development and Leadership

The mission of the Center on State and Local Policy Development and Leadership is to produce research that (a) is useful to policymakers and their constituents, (b) focuses on the relationships between policy and the central concerns of schooling—teaching, learning, school organization, and student performance, (c) strengthens the connections among policy, practice, and performance, (d) provides helpful and accurate information about a broad range of policy instruments that can be used in influencing educational practice, (e) contributes to sound theory and knowledge about which types of policy work best under which circumstances, and (f) fosters a continuing and strengthened dialogue between the consumers and producers of research.

Major Projects:

Linking Policy Practice and Efforts
Emerging Strategies and Structures
Educational Indicators
Dissemination

Center for Student Testing, Evaluation, and Standards: Assessing and Improving Quality

The Center for Student Testing, Evaluation, and Standards conducts research designed to improve the quality of testing and evaluation practices, seeking to increase their contribution to educational excellence and equity, their impact on local school improvement, and their role in enlightened State and local policy making. Critical to the approach is the belief that evaluation and testing can contribute significantly to educational quality and to planning and decision-making at all levels of the educational enterprise: from the individual student through the classroom, school, district, State and Federal levels. If they are to have such an impact, however, testing and evaluation must be sensitive to the complexities and realities of the schooling process, to the local and regional character of education, and to the multiplicity of constituencies who have a stake in education and its evaluation.

Major Projects:

Testing for the Improvement of Learning Program
Systems for Evaluating and Improving Educational Quality Program
The Impact of Testing and Evaluation on Educational Standards, Policy and Practice Program

Center for the Study of Learning

The mission of the Center for the Study of Learning (CSL) is to apply the most advanced scientific resources to the study of school subject-matter learning. CSL seeks knowledge that will help raise levels of educational performance for all children, from the hardest to teach to the most talented. CSL focuses its research efforts on an issue central to planning educational experiences for students: the appropriate relationship between the acquisition of general capabilities in learning, reasoning, and problem solving, and the subject matters--mathematics, science, and social studies. Skills for learning and thinking are addressed in the context of each of these subject areas.

Major Projects:

Mathematics Learning
Science Learning
Social Studies Learning
Learning Skills

Center for the Study of Writing

The Center's primary mission is to help teachers transmit to future generations not just the skill but the art of writing. The Center's mission aims to reconceptualize research on writing to bring together the worlds of research and practice--which will result in "research-sensitive practice and practice-sensitive research." The Center takes an integrative approach to studying writing, an approach that integrates research on social context with research on cognition, and using a multidisciplinary perspective, the Center aims to build a social-cognitive theory of writing. Perceiving writing to be a means of communication, a skill to be developed, and a way to help students learn across disciplines, the Center also recognizes that writing is influenced by a context that includes the nature of the particular task, the roles and interactions of the people involved, and the wider social and organizational structure.

Major Projects:

Writing and the Writer
Writing and Instruction
Interactions: Writing and Reading, Writing and Speaking, Writing and Computers

Center on Teacher Education

The National Center on Teacher Education will generate new and useful knowledge about what prospective teachers need to know in order to be effective in the classrooms. In order to accomplish this charge, the Center will focus on four critical tasks: (a) clarify the skills, knowledge, and dispositions required of teachers for effective academic instruction; (b) study how teachers acquire such knowledge, and dispositions, and how their learning might be improved; (c) study the character and quality of various programs of teacher education; and (d) assess what can be learned from existing efforts to reform teacher education, and study ways of making changes more effective.

Major Projects:

The first year of work involves a single project: the development of instruments to be used in a major panel study, and the refinement of the study design.

The current design calls for work in years two through five in the following areas:

Studies of undergraduate teacher education
Studies of inservice education
Studies of alternatives to undergraduate teacher education
Studies of teachers' learning and its assessment

TEACHER SHORTAGE

Mr. Porter: I have read many reports of a teacher shortage. Are the reports of a teacher shortage accurate? Is the shortage more severe in certain parts of the country or is it fairly uniform? Are you conducting any research in this area?

Mr. Finn: It is difficult to give a categorical answer to your first question. In general, from the 1970's to the present, there has been a shift from an oversupply of teachers to spot shortages in specialized fields and certain geographic locations. National estimates of unfilled teaching vacancies have remained small (1.6 per thousand current teachers according to a 1983 Teacher Demand and Shortage Survey). At the same time, some national projections suggest that the teacher shortages in specialized fields will expand in the next few years to a general shortage of qualified teachers. It is important to understand, however, that overall national counts of teacher supply and demand oversimplify the picture of the state of the teacher workforce and the qualifications of people filling teaching positions.

Teacher shortages are by no means uniform across the country, but rather vary by geographic location, depending on school enrollments, local labor market conditions, and other factors that affect demand for and supply of teachers. In Connecticut, for instance, where school enrollments are fairly stable, there are no reported shortages of teachers, nor are any projected for the next few years. In California, on the other hand, where school enrollments are rising dramatically, both current and projected teacher shortages are severe. Many of these localized shortages do not appear in national estimates where overall supply is tallied with overall demand.

Teacher shortages vary not only geographically but also by subject area. Shortages are more acute in secondary school subjects than in elementary school, particularly in mathematics and the physical sciences, with other subject areas such as computer programming, special education, and foreign languages joining the list. In addition, estimates of shortage vary considerably depending on how a shortage is defined. Defining a shortage as an unfilled vacancy, for instance, yields a smaller estimate than definitions based on measures of teacher qualification.

The Center for Statistics is currently involved in two efforts to improve the quality of its data on teacher supply and demand. One project, sponsored jointly with the National Science Foundation, funds a National Academy of Sciences panel to review current models of teacher supply and demand and make recommendations for a reliable model for Center for Statistics' projections of teacher supply and demand.

The second effort is a contract to redesign the Center's elementary and secondary surveys of schools and staffing, and teacher demand and shortage, in order to provide more accurate data with which to examine and monitor changes in the teaching force; to understand the effects of various policies and practices on the quality, recruitment, retention, and turnover of teachers; and to give early warning of critical changes in the supply and demand of teachers in ways that can better inform policy decisions. Data collection for these revised surveys is scheduled for the fall of 1987.

LONGITUDINAL STUDY ON STUDENT PROGRESS

Mr. Porter: What is the status of the longitudinal study on student progress?

Mr. Finn: The National Education Longitudinal Study of 1988 (NELS:88) contract was awarded to the National Opinion Research Center (NORC) on February 4, 1986. A national advisory panel met on April 1 to discuss content outlines of the five major components of our eighth grade cohort survey (student, school, teacher, and parent questionnaires and student tests). Items for these questionnaires and tests are being constructed, and sampling plans are being designed for field testing in February of 1987. Advice regarding content areas is being solicited from education policy groups and Federal agencies that have expressed an interest. The full scale conduct of NELS:88 is scheduled for February of 1988. Data will be available to the public by the summer of 1989.

Mr. Porter: What are the aims of this study?

Mr. Finn: NELS:88 joins the National Longitudinal Study of the High School Class of 1972 (NLS-72) and High School and Beyond (HS&B) as the third in a series of longitudinal studies sponsored by the Center for Statistics. These studies are designed to provide trend data about critical transitions experienced by young people as they develop, attend school, and embark on careers.

The student, school, parent, and teacher data will be used for policy analyses in a variety of areas. NELS:88 will enrich the store of longitudinal data of the sort that have proved so fruitful for monitoring the state of American education and assessing its effects, evaluating educational programs, and exploring the transition between school and workplace. However, the NELS:88 student data, with an eighth grade base year, should also complement the NLS-72 and HS&B databases in a special way by encompassing a portion of the dropout population missed in the earlier studies, and by obtaining further data concerning the onset and long-term implications of school tracking and the transition into high school course taking patterns, participation in vocational education, and transition to postsecondary education. Growth in student achievement will be measured by a cognitive test battery which will be administered in the eighth, tenth, and twelfth grades.

VOCATIONAL EDUCATION DATA COLLECTION

Mr. Porter: What is the current status of the Department's efforts in vocational education data collection? Describe in a little detail, if you will, the Data on Vocational Education (DOVE) plan?

Mr. Finn: Given the considerable difficulties encountered in VEDS, a number of developmental activities have been initiated in order to ferret out approaches that might have a reasonable chance of supplying vocational education data of an acceptable quality. Our Center for Statistics (CS):

-- has reviewed alternative data sources;

-- has reviewed and simplified program classifications (review of the Classification of Instructional Programs);

-- is conducting new types of analyses (analyses of complete course transcripts of secondary and postsecondary students);

-- is collecting auxiliary information that might make certain data comparable or interpretable (survey of State guidelines and standards); and

-- is trying out, on a small scale, approaches that show potential (part of the field test of the Integrated Postsecondary Education Data System).

CS's plans reflect what has been learned from these developmental efforts. The process of obtaining Departmental approval of the plan is now underway.

The new vocational education data system would be largely a derived system, with data coming from general purpose surveys carried out by CS and other organizations. The new system would not rely on administrative records or on special single-purpose surveys.

During 1986, analytic work is underway to provide information on vocational education students to Congress and the public early in 1987. These analyses are based on data already on hand. No new data collections will be undertaken for this report.

A prime source of data for this 1986 report is the series of longitudinal studies carried out by CS (high school graduating classes of 1972, 1980 and 1982), which have the special advantage of permitting comparisons of vocational education students with those in non-vocational programs. Information on teachers will be derived from a survey carried out in a sample of schools attended by members of the classes of 1980 and 1982. Other sources include the Higher Education General Information Survey collection of occupational degrees and awards; the Integrated Postsecondary Data System Survey of Institutional Characteristics; the Current Population Survey of the Census Bureau; and the vocational student survey of the Office for Civil Rights. Results of two exploratory/feasibility studies being carried out by CS will also be reported: one of these is a study of State guidelines and standards for vocational programs; the other is concerned with special needs students in vocational education.

The table below summarizes data now being collected or proposed for collection.

Enrollments and completions information would be collected through two major series—one at the secondary level (NAEP/ISEDS Transcript Study) and the other at the postsecondary level (IPEDS). Several additional data sources will be drawn upon to enrich this information and provide added opportunities for cross validation and analysis.

As proposed, both the Transcript Study and IPEDS will provide detailed vocational education and special population data at the national level. If needed, both could possibly be expanded to provide State specific data with detailed program breakouts. That expansion would be more costly and more burdensome and would be easier to obtain in 1990 than in 1988.

Follow-up information would come from two series of longitudinal studies—an education series and a labor series. Much information is currently on hand and needs to be analyzed. Additional followup data are collected on a fairly regular basis.

Some teacher information is currently available or soon will be available through CS's public and private school surveys. However, new data on both teachers and facilities would be derived from augmentations to the new elementary/secondary redesigned collections from teachers.

There is an annual flow of expenditure data on the Vocational Education Act. Most important finance issues require the funding of a vocational education finance study, also in conjunction with elementary/secondary redesign.

DOVE Plan, 1986-1990

Data to be Collected	Year of Collection				
	1986	1987	1988	1989	1990
1. Enrollments and Completions					
Secondary (NAEP/ESIDS Transcript study):					
Enrollment:					
Race/ethnicity	—	X	—	X	—
Sex	—	X	—	X	—
Handicapped	—	X	—	X	—
Completions:					
Race/ethnicity	—	X	—	X	—
Sex	—	X	—	X	—
Handicapped	—	X	—	X	—
Postsecondary (IPEDS):					
Enrollment:					
Race/ethnicity	—	—	X	—	X
Sex	—	X	X	X	X
Completions:					
Race/ethnicity	—	X	—	X	—
Sex	X 1/	X	X	X	X
2. Followup					
High school and beyond	X	—	X	—	—
NELS	—	—	—	—	X
NLS-72	X	—	—	—	—
NLS (Labor)	X	X	—	—	—
3. Staff and Facilities					
Secondary					
Teachers:					
Private school survey	X	—	—	—	—
Survey of teacher demand and shortage	X	—	X	—	X
NELS/ESIDS supplement	—	—	X	X	—
Facilities:					
NELS/ESIDS supplement	—	—	X	X	—
Postseocndary:					
Teachers:					
IPEDS	—	—	X	—	—
NELS supplement	—	—	—	—	X
Facilities:					
NELS supplement	—	—	—	—	X

4. Finance					
VEA expenditures..................	X	X	X	X	X
Vocational education finance.....	--	--	--	X	--
5. Handicapped Secondary Students					
NAEP Supplement..................	—	X	—	—	—

1/ Data from institutions of higher education only; collection from noncollegiate postsecondary institutions begins in 1987.

DEPARTMENT OF EDUCATION

Education Research and Improvement

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[EDUCATIONAL] EDUCATION RESEARCH AND [STATISTICS] IMPROVEMENT

For necessary expenses to carry out sections 405 and 406 of the General Education Provisions Act, as amended, [$59,978,000] $70,231,000. (Department of Education Appropriation Act, 1986; additional authorizing legislation to be proposed for $58,231,000.)

Education Research and Improvement

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual..........................	$59,978,000	$59,978,000	$70,231,000
Sequester order................	—	-2,579,000	—
Subtotal, adjusted appropriation.......	59,978,000	57,399,000	70,231,000
Comparative transfers to:			
Salaries and Expenses..........	-126,000 1/	-400,000 1/	---
Total obligations............	59,852,000 2/3/	56,999,000	70,231,000

1/ Amounts transferred to Salaries and Expenses for field reader activities.

2/ Excludes reimbursable amounts of $578,000 in 1985 for activities financed in Educational Research and Statistics.

3/ The total obligations at the end of fiscal year 1985 include $1,445,000 contingently obligated under court order.

Education Research and Improvement

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. Education Research and Improvement........	---	---	---	$70,231,000
2. National Institute of Education...........	$50,831,000	$48,628,000	$48,628,000	---
3. National Center for Education Statistics..	8,747,000	8,371,000	8,371,000	---
Total...........................	59,578,000	56,999,000	56,999,000	70,231,000

2. Adjusted for comparability. Excludes $400 thousand in 1986 for field reader activities, which are transferred to Salaries and Expenses in 1987.

Education Research and Improvement

Budget Authority by Object

	1985	1986	1987
Other services:			
Project contracts..........	$39,353,000	$37,500,000	$45,031,000
Grants, subsidies and contributions..............	20,499,000	19,499,000	25,200,000
Total budget authority by object..............	59,852,000	56,999,000 1/	70,231,000

1/ Reflects a reduction of $2,579,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Education Research and Improvement

Summary of Changes

1986 Estimate [1/]		$59,578,000
1986 Sequester order		-2,579,000
Total estimated budget authority		56,999,000
1987 Request		70,231,000
Net change		+13,232,000

	1986 base [2/]	Change from base
Increases:		
Program:		
1. Research — Increase for new research syntheses and research focusing on early childhood education and other key topics	$20,625,000	+$4,215,000
2. Statistics — Increase to implement a new data system for elementary/secondary statistics, improve and expand the assessment program (including NAEP), and increase knowledge about the teacher workforce	12,155,000	+6,145,000
3. Information services — Increase to expand and improve the OERI Education Research Library and the ERIC system	6,546,000	+1,429,000
4. Improvement of Practice — Increase to support new national study groups and conferences, and to review and analyze successful school improvement efforts	17,673,000	+1,443,000
Subtotal		+13,232,000
Net change		+13,232,000

1/ Adjusted for comparability. Excludes $400,000 in 1986 for field reader activities, which are transferred to Salaries and Expenses in 1987.

2/ Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Education Research and Improvement

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. Education Research and Improvement	GEPA, Sections 405 and 406	---	To be determined
2. National Institute of Education	GEPA, Section 405	$175,000,000 [1]	---
3. National Center for Education Statistics	GEPA, Section 406	12,000,000	$14,000,000 [2]
Total definite authorization...........		187,000,000	14,000,000

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[1] The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

[2] The authorizing legislation for the National Center for Education Statistics includes $14,000,000 for 1987. However, proposed legislation will eliminate a separate authorization for the Center; a single authorization is proposed for Education Research and Improvement.

Education Research and Improvement

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation 1/
1978	$111,493,000	$91,593,000	$89,773,000	$90,593,000
1979	100,562,000	97,922,000	88,762,000	93,649,000
1980	95,120,000	95,120,000	79,000,000	84,061,000
1981	84,061,000	84,061,000	74,561,000	74,561,000
1982	62,392,000	64,561,000	64,561,000	61,979,000
1983	62,392,000	61,978,000	64,203,000	64,203,000
1984	56,978,000	56,978,000	56,978,000	56,978,000
1985	62,978,000	62,978,000	56,978,000	59,978,000
1986	59,978,000	59,978,000	59,978,000	59,978,000
1986 Sequester	-2,579,000			
1987	70,231,000			

1/ Reflects enacted supplementals, rescissions and reappropriations.

Education Research and Improvement

Significant Items in Congressional Appropriations Reports

Item	Action taken or to be taken
1986 House Report	
New Research Activities	
From the amount provided, $3 million will be available for new research activities.	The amount OERI intended to provide for new activities will be reduced as a result of the balanced budget legislation (P.L. 99-177).
Research Center on Reading	
In order to ensure a continued focus on reading beyond fiscal 1986, the Committee expects NIE to conduct an open competition to support a research center whose primary focus is research and study on reading.	OERI will conduct an open competition in fiscal 1986 to support a research center whose primary focus is research and study on reading.
Bilingual Clearinghouse	
The Committee expects the Institute will continue to fund the National Clearinghouse for Bilingual Education as it has in previous years.	The Office of Bilingual Education and Minority Languages Affairs (OBEMLA) will fund the Clearinghouse in 1986 following competition for a new Clearinghouse contract.
1986 Senate Report	
Improving Teacher Education	
$3 million shall be used to continue a program that provides competitive grants to education schools, colleges, or departments to undertake institutional renewal.	This language was superseded by Conference report language on the same subject, as shown on the next page.
Fees for Regional Laboratories	
When negotiating 1986 awards with the winners of the recent laboratory competition, the Committee directs the Department to continue providing these institutions with standard, fee-bearing contracts.	These contracts were competed and awarded under the new Federal Acquisition Regulations (FAR, §16.302), as cost-reimbursable contracts without a fee. In making the awards, OERI notified the applicants to include in their proposals all proposed activities including those customarily supported through a fee, and

Education Research and Improvement

Significant Items in Congressional Appropriations Reports -- Continued

Item	Action taken or to be taken
Fees for Regional Labs (continued)	these would be negotiated on a case-by-case basis at the time of award. Most of the items proposed were accommodated within the amount awarded.
Services to the Pacific Basin	
The Committee has been pleased with the Department's responsiveness to date to ensure that these unique educational needs [of the Pacific Basin region] will be addressed, and it is the Committee's expectation that, within a reasonable period of time, an independent laboratory will evolve for the Pacific Basin region.	In accord with congressional intent and opinions received from those in the region, OERI is now providing for the first time a full range of educational laboratory services to the Pacific Basin. The Northwest and Pacific Basin regions are currently served by a single laboratory; however, we are aiming to create a separate laboratory for the Pacific Basin by 1991.
1986 Conference Report	
Improving Teacher Training	
The conferees are aware that the bill provides the National Institute of Education with $51,231,000, of which $1,500,000 shall be used for a program of competitive, field-initiated grants to collegiate schools and departments of education, working with NIE laboratories and centers, to improve teacher training programs.	In fiscal 1986, OERI will continue funding 30 projects to improve teacher education for which 29 institutions of higher education and a regional service center are prime contractors. In addition, OERI has recently announced a program of field-initiated research grants in which collegiate schools and departments will be eligible to compete. As resources permit, OERI intends to pursue additional teacher education projects.
Research Center on Reading	
In order to ensure a continued focus on reading beyond fiscal 1986, the conferees expect NIE to conduct an open competition to support a research center whose primary focus is research and study on reading.	OERI will conduct an open competition in fiscal 1986 to support a research center whose primary focus is research and study on reading.

Education Research and Improvement

Account Summary

	1985	1986	1987
1. Education Research and Improvement...........	$59,852,000	$56,999,000	$70,231,000
Total budget authority.....	59,852,000 1/	56,999,000 1/2/	70,231,000

1/ Adjusted for comparability. Excludes $126 thousand in 1985 and $400 thousand in 1986 for field reader activities, which are transferred to Salaries and Expenses in 1987.

2/ Reflects a reduction of $2,579,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Providing accurate and timely information about American education to decisionmakers and the public is a central aspect of the Federal role in education. The Department's research and statistical activities aim to identify and understand factors contributing to major educational problems, national trends and policy issues. These activities complement and inform virtually all other activities and programs in the Department including elementary and secondary education, postsecondary education, compensatory education, vocational education, bilingual education, and special education.

The fiscal year 1987 request would support research, statistics, and dissemination activities focusing on improving the quality of education and providing more useful and reliable information and assistance to States and localities. Major programs supported include national research centers, a periodic national assessment of students' educational progress, a bibliographic abstracting and retrieval system, and field-initiated research.

Support is also provided for school improvement activities including support for nine regional educational laboratories which help move research results into practice.

In addition, these funds support the collection of statistics to describe the condition of education in the States and territories. General purpose statistical and policy-relevant data are supplied to congressional, Federal, State and local education decisionmakers.

The 1987 budget request for Education Research and Improvement is $70,231,000, an increase of $13,232,000 over the 1986 level. The proposal to increase this budget during a period of fiscal restraint reflects the great importance we attach to providing accurate and timely information that can assist States and localities as they act to improve the quality of education. With this increase, highest priority will be given to improving knowledge of the condition of education through surveys and assessments.

Education Research and Improvement

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1. Education Research and Improvement
(General Education Provisions Act, Sections 405 and 406)

1987 Authorization: ($14,000,000 and proposed legislation)

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$59,578,000 1/	$56,999,000	$70,231,000	+$13,232,000

1/ Adjusted for comparability; excludes $400 thousand for field reader activities, which are transferred to Salaries and Expenses in 1987.

Purpose and Method of Operations

To address the goal of improving American education through research, statistics, dissemination and other activities, a wide variety of current-funded contracts, grants and cooperative agreements are supported. There are four program offices administering these funds:

The Office of Research supports high quality fundamental and applied research at every level of education and on such topics as the processes of teaching and learning, reading, and effective schooling. Major programs include:

- National research centers. The centers are responsible for conducting long-term research and development in areas of national concern, and for disseminating their findings and products nationally. Each of 14 centers focuses on a particular topic.
- Analyses and digests of the state of knowledge of key topics in education, with a view toward drawing attention of educators and policy makers to research findings, toward stimulating scholars to address important gaps in knowledge, and toward supporting targeted research designed to fill such gaps.
- Field-initiated grants. A small program to support the work of independent scholars is supported, with award decisions made by a rigorous peer review process.

The Center for Statistics collects, analyzes, and synthesizes statistics on the characteristics and performance of American education, and also provides leadership in the development and dissemination of standardized terminology and definitions for the collection of education statistics. Major products include: The Condition of Education and the Digest of Education Statistics; projections of enrollments, teacher supply and demand, and other key data; and publication of a variety of announcements, bulletins and other statistical documents. Activities of the Center include:

1. Education Research and Improvement

Purpose and Method of Operations--continued

- The National Assessment of Educational Progress (NAEP). NAEP is a continuing survey of the knowledge, skills, understanding, and background characteristics of young Americans, created to provide reliable, consistent information about the nation's educational progress. As mandated by Congress, an Assessment Policy Committee is responsible for designing and supervising the National Assessment.

- Surveys to obtain policy data. To support Federal education planning and analysis activities, unique surveys and studies are carried out, including fast-response surveys and special compilations of data on topics of particular interest to the Congress or the Department.

- Longitudinal data on student progress. The Center collects longitudinal data on the senior high school class of 1972 (NLS-72) and the sophomore and senior classes of 1980 (High School and Beyond) including information about course enrollments, financial aid, and the transition from school to work. A new longitudinal study focusing on the eighth grade class of 1988 is getting under way.

- Data on educational institutions. The Center gathers data on enrollments, staff, revenues and expenditures, teacher supply and demand, and other key indicators of the condition of education through surveys of schools, colleges, and libraries.

- Technical assistance. To carry out its mandate to assist State and local education agencies in improving their statistical systems, the Center maintains network contracts at both the elementary-secondary and postsecondary education levels.

The Programs for the Improvement of Practice unit aims at narrowing the gap between what is known and what is done in American education. It works especially closely with education professionals and practitioners.

- Improving school effectiveness through research and development. The primary purpose of the regional laboratories is to determine the education research and development needs in a specified region of the country, and to help meet those needs through applied research, development, dissemination, and technical assistance. Nine laboratory awards support school improvement activities in all regions of the U.S.

- Attentive to the most pressing problems confronting American education, this office administers programs supported through the Secretary's Discretionary Fund (included in the Special Programs account request) including competitive, field-initiated grants, children's educational television series, and elementary and secondary school recognition programs. Policy direction for the Secretary's discretionary programs is provided by the Office of the Secretary.

The Information Services unit is a clearinghouse for persons and organizations seeking information on education statistics, research and practice.

1. Education Research and Improvement

Purpose and Method of Operations--continued

In addition to responding to inquiries, disseminating information, both electronically and through publications, and managing the Department's library, this unit also supports:

- The Educational Resources Information Center (ERIC) system. ERIC collects, indexes, abstracts, analyzes, and disseminates literature on education. Its products and services include data bases, abstracted journals, microfiche, computer searches, document reproductions, and analyses and syntheses. The 16 clearinghouses in the ERIC system focus on specific areas of education.

- Information Products. Information dissemination is supported through the development of publications, and the packaging and sale of data tapes, special tabulations and data on computer disks.

- Outreach Program. Seminars, conferences, exhibits, and various visitor programs increase personal contact with education practitioners, policymakers, the media and the general public and serve as an information source for those in need of additional information about education.

While the great majority of the work of these four offices is done externally, the staff themselves also produce syntheses and analyses each year which contribute to knowledge of, and ways to improve, American education.

The research, statistics and improvement agenda of OERI is based upon consultation with the education community to ensure that the planned activities are focused on critical national education issues. In developing the program, the Assistant Secretary receives policy advice from the National Council on Educational Research, which is composed of 15 members appointed by the President and confirmed by the Senate.

The Assistant Secretary for Educational Research and Improvement manages a number of other activities using these and other funds, including:

- National leadership conferences. The Assistant Secretary arranges occasional meetings and conferences on educational issues, and invites a diverse national audience of researchers and practitioners to exchange information and opinions. One recent conference focused on assessment of student learning in higher education.

- Other projects. Primary responsibility for program evaluation is assigned to the Office of Planning, Budget and Evaluation. However, evaluations of certain specific Federal education programs have been supported by OERI, notably an ongoing congressionally mandated assessment of the Department's Chapter 1 program. Expert testimony on a variety of education topics is provided to the Congress. Some smaller projects are supported in each office, through both grants and contracts.

Education Research and Improvement

1. Education Research and Improvement

Accomplishments

Significant accomplishments during the past year include the following:

Reorganization. Effective October 27, 1985, OERI was reorganized in order to improve the quality of education research and statistics by realigning program functions and establishing clearer lines of authority, establishing quality control procedures, strengthening and expanding the peer review system, and promoting specific coordination mechanisms across the organization. Another aim in the reorganization was to improve the dissemination and use of research and statistical products through increased and varied kinds of dissemination and technical assistance.

There are five program units in the new organization. This account provides support for the four program units which have been described. The Library Programs unit is budgeted under a separate account, Libraries.

In planning the reorganization, the Secretary gathered advice from leading scholars, associations, and experts both within and outside the Department of Education, as well as from members of Congress.

Labs and Centers. More than three years of planning, public participation, and analysis culiminated in the award of up to $54.5 million over five years to operate 10 educational research and development centers and up to $79.9 million over five years to operate eight regional educational laboratories. The new network of laboratories and centers replaces one created by the former U.S. Office of Education in the mid-1960s.

- Centers. The total grant package for the centers was one of the largest ever awarded in the field of education research and climaxed an intense set of competitions and review procedures. The Department selected the winners with the advice of more than 100 expert "peer reviewers" who evaluated proposals, conducted site visits, analyzed and compared the activities planned by applicants and appraised the quality, feasibility and worth of alternate approaches.

  The 10 centers, in conjunction with four centers already supported by OERI, form a nationwide network of scholarly and research activities intended to increase knowledge about education so that its quality can be improved.

  Each of the new centers focuses on particular issues, topics and research problems. The topics are: effective elementary schools; effective secondary schools; teacher education; writing; learning; education and employment; postsecondary management and governance; postsecondary teaching and learning; student testing, evaluation and standards; and State and local policy development and leadership.

- Laboratories. A rigorous peer review process using 36 distinguished educators and laymen was used in awarding the eight new regional educational laboratory contracts. These eight laboratories, together

Education Research and Improvement

1. Education Research and Improvement

Accomplishments—continued

with one established in 1984, now form a nationwide network of institutions intended to help with grassroots efforts to improve American education. As a result of the competition, the laboratories for the first time in their history now serve the entire U.S. and its territories. Each laboratory in the network is expected to draw upon the expertise of schools, colleges, professional groups and other organizations in its region.

ERIC Clearinghouse Competitions. Competitions were conducted for 12 of the 16 clearinghouses in the Educational Resources Information Center (ERIC) system; two-year awards will be announced in 1986. A comprehensive study of the structure and products of the ERIC system was initiated. During the year ERIC launched a new online ERIC Digest database targeted for personal computer access; began the development of a Trends and Issues in Education Yearbook; and reduced the cost of its microfiche to the public (15 million are distributed annually).

Teacher Education Development/Demonstration Competition. OERI recently completed a competition for development and demonstration projects designed to use recent advances in education research to improve teacher education programs of schools, colleges, and departments of education. This competition resulted in thirty (30) awards for projects that are to be designed and implemented in collaboration with local schools.

Improving Education Statistics

For more than a century, collection of uniform and reliable statistics on the condition of education has been a Federal responsibility. A high priority has been placed by OERI on improving data collection systems.

Redesign of the elementary/secondary data system. In 1985 the Center for Statistics initiated the redesign of its elementary/secondary data system by eliciting views on data needs and concerns on data quality and timeliness from data users and providers. A synthesis report of these views has been produced and options developed for "repairing the data base." These will be refined into a long-range plan during 1986. While the plan will address all facets of the elementary/secondary data system, an adjunct activity — looking in-depth at the teacher portion — is already under way. The result of this accelerated activity will be surveys of teachers and administrators in 1987 providing better insight on teacher supply and demand, teacher turnover and teacher qualifications.

Redesign of the postsecondary data system. After several years of planning, the new Integrated Postsecondary Education Data System was initiated in 1985 with the request for institutional characteristic data from over 15,000 institutions offering postsecondary education in the United States. The system when fully implemented will also contain data on enrollments, awards/degrees, staff, salaries, and finances. A major feature of the system is uniform definitions for all sectors of postsecondary education.

1. Education Research and Improvement

Accomplishments--continued

Data on Student Financial Aid. The Center for Statistics initiated a field test for the first national survey of postsecondary student aid. (Funding for this survey is being requested through the Departmental Salary and Expenses account). The survey will provide data on the distribution of financial aid, the nature of aid packages, and profiles of aid recipients and non-recipients. The data, which will be collected from a representative sample of all postsecondary institutions, will be used in models to project aid programs' costs and to analyze the impact of policy changes on student enrollment and financing.

Characteristics of American Education

Increased understanding of the performance of students and educational institutions is vital to education reform. Recent accomplishments include:

Academic Requirements and Achievement in High School. Based on a national sample of school districts, a Center study showed that requirements for graduation and for specific core subjects increased between 1982 and 1985 and will increase further by 1988, as follows:

	1982 (Actual)	1985 (Actual)	1988 (Est.)
Total Credits for Graduation	19.7	20.3	21.0
Math	1.6	1.9	2.3
Science	1.5	1.8	2.0
English Language Arts	3.6	3.8	3.9

Reading Assessment. OERI released findings on reading from the 1984 National Assessment of Educational Progress showing that students were reading better than in 1971 when NAEP first assessed reading. Improvement by 17-year-olds has occured only since 1980. Disadvantaged and minority students at all ages substantially improved their reading skills since 1971; however, the average performance of black and Hispanic 17-year-olds remains only slightly higher than that of white 13-year-olds.

Parental Involvement and High School Grades. Based on the High School and Beyond longitudinal study of high school sophomores and seniors of 1980, the Center for Statistics released a study which showed that students whose parents are most involved in their lives tend also to be the students with the highest marks in school. The overwhelming majority of "A" students indicated their parents almost always knew their whereabouts, talked to them almost every day, and kept track of how well they did in school. Students with lower grades reported significantly less parent involvement.

Factors Associated with Test Score Decline. The Center for Statistics released a study, based on data from its Longitudinal Studies Program, which documents changes in the academic achievement of high school seniors between 1972 and 1980 and identifies school and student factors related to these changes. Observations of declines in vocabulary, reading, and mathe-

Accomplishments--continued

matics test scores tended to be greater for white and female students than for male or minority group students. The study found that factors such as a reduced number of students enrolled in the academic curriculum and reduced number of hours of homework played major roles in test score declines.

Dropouts and the Effects of Schooling. The Center funded the initial stage of the National Education Longitudinal Study of 1988 (NELS:88), the new longitudinal study succeeding the National Longitudinal Study of 1972 (NLS-72), and the High School and Beyond Study (HS&B). NELS:88 will survey 8th graders, providing for the first time national data on dropouts, their number, characteristics, rates of return to school, and subsequent occupations. Information will also be provided about the effects of schooling in high school.

Remedial Courses in Institutions of Higher Education. For the first time, a nationally representative survey of 2 and 4-year institutions of higher education collected information on the extent of remedial education in these institutions. The study collected data on the number of institutions offering remedial courses, the number of courses, and the percent of freshmen enrolled. It showed that 63% of the estimated 2,300 schools offering remedial courses in 1984 reported enrollment increases in these courses of 10 percent or more since 1978. Remedial study in math topped the list with 25% of freshmen enrolled while 21% were enrolled in remedial writing and 16% in remedial reading.

Assessing Higher Education. As a follow-up to major reports on the condition of higher education, OERI sponsored a series of regional hearings on the quality of higher education. A major national conference was held in the fall of 1985 on the assessment of student learning outcomes. Building on these hearings and the conference, OERI has initiated a program of grants to support colleges and universities that are engaged in developing student assessment. OERI will also support related research awards on higher education learning and instruction.

Improving Dissemination of Information

Toll-free Information Service. Through the installation of a toll free number (800-424-1616; in the Washington, D.C. metropolitan area the number is 202-254-6057) and the application of office automation, OERI has more than doubled the number of people it serves. The toll free number makes services available to broad sections of the public. The number of calls from parents, teachers and students is particularly noteworthy. By automating access to OERI information, information specialists are able to handle more calls in less time with greater accuracy. Using personal computers with menu-driven software, specialists have at their fingertips a guide to 1) the subject specialists best qualified to respond; 2) a list of publications containing the sought-after information; 3) tabulations of statistical data; 4) summaries of OERI activities; and 5) lists of subject matter experts within OERI and throughout the Department of Education.

Education Research and Improvement

1. Education Research and Improvement

Accomplishments--continued

Publications. Information on the condition of education is widely disseminated through publications, including these:

- The Center for Statistics continued to disseminate its findings through the annual Condition of Education report, other reports and bulletins, and through tapes and special tabulations. The working paper Indicators of Education Status and Trends has been reviewed and revised extensively and will be incorporated into the Condition of Education report for 1986.
- A series of five "Help your Child" leaflets has been enthusiastically received by schools and parents. These leaflets inform parents how to help their children learn math, become good readers, learn to write well, improve test-taking, and improve class participation. Referral by nationally prominent newspapers and magazines, plus reprinting by several associations has helped in widely disseminating the information contained in these publications.
- Interest during the last year has been especially great in the reports Becoming a Nation of Readers: Report of the Commission on Reading, and Involvement in Learning. Both received wide attention through excerpts in education journals, national magazines and major newspapers.
- A concerted effort to disseminate education information to the public included the preparation of articles for key periodicals. Articles on mathematics, reading, and teacher education have been well received.

1987 Budget Proposal

The 1987 budget request for Education Research and Improvement is $70,231,000, an increase of $13,232,000 over the 1986 level. For several years, the President, Secretary of Education, Governors, chief State school officers, school boards, legislators and members of the public have expressed serious concerns about the quality of education. There is a critical national need for, and interest in, better information on the current condition of education and ways by which it may be improved. One recent report by a business group summarized the situation with the comment, "private industry could not succeed with a data collection system and research base as weak as this nation has in the field of education." (Investing in Our Children, a statement by the Research and Policy Committee of the Committee for Economic Development.) Federal funding allows for economies of scale, a sharing of scarce resources, standardization of statistical terms, and also reduces unnecessary duplication of effort.

From the funds requested, about $58.0 million would be used to maintain current activities, including regional laboratories, national research centers, ERIC, NAEP, and the core statistics program. New funds amounting to about $12.2 million would enable the Department to: support better education assessments, including initial development of a cost-shared State

1987 Budget Proposal--continued

representative assessment program; greatly improve and expand the basic statistics program, especially in the areas of elementary/secondary data and data on teachers and staff; and to conduct new research on such important issues as the effects of school and district practices on the quality of teachers and administrators; the ways that colleges and universities assess their student outcomes; and ways of improving teaching and learning in mathematics, science, arts and the humanities.

From the requested amount, the work of four program offices would be supported, as follows:

Office of Research ($24.8 million)

The lack of reliable information in many areas of education seriously inhibits the ability of parents, students, State and local officials to make well informed choices on how to improve education.

For example, how do students learn in particular subjects, and what are the best conditions to facilitate their learning? Do instruction and learning in certain courses help students to learn faster or more profoundly in other areas?

What do students learn in colleges and universities? Does learning in particular courses of study make a difference in employment? How do different colleges evaluate the effectiveness of their programs?

The Office of Research is seeking to address these and other major education issues through research totalling $24.8 million. The budget request includes $17.3 million to support the work of the national research centers, awarded through a rigorous competitive process involving peer review. Each of the centers focuses on important education issues in a particular topical area.

To complement the work of these major research centers, we plan to support a variety of individual, competitively-awarded research projects, including about $2.5 million for continuing projects and about $5 million for new projects. Research would focus on early childhood education and school readiness; parental choice and involvement in education; teaching and learning in particular content areas, such as arts, humanities, science, mathematics; ways of improving school administration; the characteristics of effective school administrators; the costs and benefits of particular kinds of postsecondary education; the efficacy of State and local education reform activities and implementation issues associated with these.

A high priority within this research agenda would be syntheses of research findings in early childhood education; character development; effective schools; and college curricula, costs and effects. Syntheses, such as the recent report *Becoming A Nation of Readers*, are useful to practitioners and the public, and make the most of prior investments in research.

Education Research and Improvement

1. Education Research and Improvement

1987 Budget Proposal--continued

Our research will also explore: how youngsters acquire values and character; how youngsters develop intellectually and how they learn citizenship; and what the implications of these findings might be for instruction.

Another broad agenda concerns research for educating disadvantaged children: How do their learning needs differ from others? What are the effective instructional strategies for children from low-income families?

Excellence in education occurs when well-prepared teachers and administrators work together in a school setting that encourages effective practice. To follow up on this observation, we will examine how teachers and administrators learn what they need to know to do their jobs well. We will study how conditions in schools and districts can foster individual excellence and strong teamwork among the staff.

In higher education, we will conduct research into outcomes and assessment that will support efforts of college and university leaders working to improve curriculum quality and student learning. Through these efforts, we hope to achieve a greater return on the significant investment in higher education made by parents, States and the Federal Government.

Portions of the funds requested would also be used to support the congressionally-mandated Small Business Innovation Research program, as well as an Unsolicited Proposals program to stimulate fresh inquiry into ways to improve education.

Center for Statistics ($18.3 million)

Uniform and reliable statistics on the condition of education are essential in order to monitor and administer educational activities effectively. At the national level, OERI's statistics unit continues to be the focal point for collecting and disseminating statistical information about education, including data allowing meaningful comparisons across States, regions, and localities, as well as among nations.

Elementary/Secondary Data. A major initiative in fiscal year 1987 will be the initial implementation of the redesigned elementary/secondary statistics data collection system. Approximately $2.0 million will be used to replace the current Common Core of Data system with samples or "panels" of respondents which will allow finer breakouts and more carefully defined data elements. Certain State supplied data will remain important for such purposes as distribution of Chapter 1 funds.

Teacher Characteristics. Improving knowledge of characteristics of the teacher workforce would be a major priority. Of the request, approximately $1.7 million would be used for redesign of the teacher supply and demand survey which will focus attention on geographic and subject matter shortages and for a teacher characteristics and follow-up survey describing those entering and leaving the profession. Analysis of transcripts of recent

1987 Budget Proposal--continued

college graduates and more experienced teachers will describe changes in preparation of teachers over time. And, at the postsecondary level, an estimated $0.5 million will be used for gathering descriptive information on faculty and administrative staff thus filling in a gap in our knowledge of such fundamental items as academic background and course load.

Assessments and Outcomes. The Center will administer the NAEP grant with $3.8 million for the fiscal year 1987 renewal. Additional monies will be spent for development of methodology for new testing techniques, testing at new age levels, and testing in new areas ($1.2 million); and for enhancing assessments, particularly in the areas of inter-relating curriculum and outcomes and developing cost-shared State-representative assessments ($1.2 million). Slightly more than $2 million would be used for the NELS:88 longitudinal study. These monies would fund base-year data collection of eighth graders, their parents and their teachers. Additionally, the Center would fund the U.S. portion of an international literacy assessment study ($0.8 million).

Vocational Education. As part of the redesign of a system for collection of Data On Vocational Education (DOVE), approximately $1 million of the statistics budget and $500,000 requested in the Vocational and Adult Education account would be used for vocational education data collection. Special studies on standards and access to vocational education would continue in fiscal year 1987. Integral to the redesign is incorporation of vocational education data from current surveys, both for reasons of cost effectiveness and to enable comparisons with education in general. Steps toward implementation of the full system are contingent upon approval of the DOVE plan.

The projects which we have described, in addition to other core responsibilities of the education statistics unit (such as full implementation of the new Integrated Postsecondary Education Data System, at $1.5 million; and $2.6 million for processing and analysis of data for the *Condition of Education*, education indicators and projections, and the fast response survey system), are needed to begin to fill the many gaps which currently exist.

Information Services ($8.0 million)

The Information Services unit supports and has the responsibility to disseminate the largest, most extensive and detailed data base on education research and statistics in the Nation. Present limitations on the accessibility and utility of the information which exists need to be addressed by modernizing and expanding information services.

Of the amount requested, $5.7 million would be used to continue funding of the Educational Resources Information Center (ERIC) system, the world's largest computerized education information service.

Education Research and Improvement

1. Education Research and Improvement

1987 Budget Proposal--continued

The increase requested for this unit would allow for expansion and improvement in a number of areas, especially focusing on OERI's Educational Research Library and on the ERIC system. With regard to the Library, we plan to update and upgrade the library reference collections through the expansion of microfiche collections and upgrading of accompanying equipment, and by improving and/or enhancing State and local information networks through on-site information and training programs, thus providing for a direct transfer of skills to State and local school systems.

The ERIC system would be improved in the following ways:

- The ERIC databases would be expanded to include educational referral and statistical information, and an expanded practitioner file. This would enable users to identify and locate research and statistical data from local, State and national sources.

- Low-cost subject matter subsets of the ERIC database would be developed for use on microcomputers, thereby increasing its usefulness to school districts.

- We would establish a program to provide international education research assistance to improve access to the ERIC system, thereby fostering the needed development of an internationally shared information system.

- Based on a comprehensive study of the ERIC system, a plan will be developed in fiscal year 1987 for the redesign of the structure of ERIC. The purpose of this restructuring is to modernize, consolidate and streamline the clearinghouse network to create a more cost efficient and responsive system. New technologies will be incorporated into ERIC to enhance its access and dissemination capabilities.

In addition, we plan several other efforts to improve information services:

- A series of targeted research publications would be developed to be placed in newsletters, journals, and distribution to State and local institutions. These publications will be designed to assist parents, teachers, policymakers and media to understand current research findings, trends and issues. Also, a journalism fellowship program would enable education reporters to become more proficient in their coverage of State and local education issues.

- Collaborative efforts with national associations and institutions would be supported, including forums on State and local education reform activities.

- Expansion of a toll-free telephone information service, in cooperation with the labs and centers, will provide much faster flow of

Education Research and Improvement

1. Education Research and Improvement

1987 Budget Proposal--continued

information to teachers and the public. In addition, upon request we will provide statistical "data-on-a-diskette" that can be used on microcomputers for more detailed study.

Programs for the Improvement of Practices ($19.1 million)

Reform and improvement of education continue to be a high priority for governors, legislatures, State and local school officials, business leaders, parents and the public. Throughout the Nation, many of the ideas and plans, as well as specific materials and procedures, can be enriched and made more effective and efficient through the application of research-based information and assistance often not readily available to schools, parents or communities.

One particular concern is that many teacher education programs graduate teachers who are inadequately prepared because the programs do not include much of what is known about effective teaching practices, nor are the programs based on what is known about how teachers learn and develop professionally.

In response to these problems, the budget request includes approximately $18.1 million for two major congressionally-mandated programs: $17 million for work to be carried out by the nine regional educational laboratories which now provide services to all parts of the United States, and $1.1 million to continue development and demonstration activities to improve teacher education programs at colleges and universities.

The budget request also includes about $1.0 million for new activities, which includes support for:

- studies and analyses to foster improvement of elementary education;
- national study groups on such topics as arts and humanities education, training for the principal, teaching and the teaching profession, and quality in higher education;
- review and analysis of successful projects supported by the Secretary's Discetionary Fund and other projects in priority areas; and,
- drawing together views and information from experts and successful educators, as well as the public and parents, for dissemination through established and inventive means on such topics as: elementary school improvement, the roles of parents, community and business in schools, rewards and incentives for attracting and retaining quality teachers, and school management and organization.

TUESDAY, APRIL 15, 1986.

HIGHER EDUCATION

WITNESSES

C. RONALD KIMBERLING, ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

SALLY K. KIRKGASLER, DIRECTOR, OFFICE OF POLICY DEVELOOPMENT

WILLIAM DINGELDEIN, DEPUTY DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION

JOHN S. HAINES, DIRECTOR, POSTSECONDARY ANALYSIS DIVISION, OFFICE OF PLANNING, BUDGET AND EVALUATION

RICHARD HASTINGS, DIRECTOR, DEBT COLLECTION AND MANAGEMENT ASSISTANCE SERVICE, OFFICE OF POSTSECONDARY EDUCATION

Mr. NATCHER. At this time, we take up the budget request for higher education. We have before the committee Mr. C. Ronald Kimberling, Assistant Secretary for Postsecondary Education.

Mr. Kimberling, it is a pleasure to have you back before the committee. Before you give us your statement, tell us who you have with you at the table there.

INTRODUCTION

Mr. KIMBERLING. Thank you, Mr. Chairman. To my far left, your far right, I have Mr. Richard Hastings, Director, Debt Collection and Management Assistance Service of the Office of Postsecondary Education.

To my immediate left, Sally Kirkgasler, Director of the Office of Policy Development, OPE; and to my immediate right, Mr. William Dingeldein, Deputy Director, Budget Service, Office of Planning, Budget and Evaluation; and at the far right, Dr. John Haines, Director of the Division of Postsecondary Analysis, OPBE.

Mr. NATCHER. Thank you very much.

[The statement of Mr. Kimberling follows:]

DEPARTMENT OF EDUCATION

Statement by the

Assistant Secretary for Postsecondary Education

on

Higher Education

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to present the fiscal year 1987 budget request for the Higher Education account which totals $261.6 million. This amount is approximately $7 million more than our revised 1986 request of $254.8 million.

The emphasis of our request is on the Federal commitment to addressing the postsecondary educational aspirations of poor and disadvantaged individuals. To meet that commitment, we propose to target funds to those activities which assist developing postsecondary institutions serving high percentages of disadvantaged students, and to activities which provide special support services to disadvantaged students. We are, however, proposing to restructure the current programs so that they carry out these objectives more effectively, and we are also proposing ways of encouraging institutions to seek funds from non-Federal sources. In addition, we are proposing a modest amount of funds to stimulate excellence and quality in postsecondary education.

The Higher Education account has historically funded a number of small programs. For the past several years, we have requested no new funding for a number of these authorities. Some of these programs have outlived their original purpose. Others have met their objective of demonstrating the effectiveness of a particular educational approach. Still others have goals which can be better met by the private sector. At a time when we are all concerned about the Federal deficit, it seems even more appropriate to eliminate these programs.

Aid for Institutional Development

Our 1987 request includes $141.2 million for Title III of the Higher Education Act which authorizes Aid for Institutional Development. These programs assist colleges and universities which enroll a high percentage of disadvantaged students--including the Nation's historically Black colleges and universities for which a total of $45.7 million would be reserved.

The Department proposes to refocus and modify significantly the program objectives of Title III of the Higher Education Act. The proposed changes to the Title III programs reflect a reconceptualized program objective--to help eligible institutions develop solid financial bases so that they will no longer need annual Title III assistance to survive.

The Department would significantly change the criteria used in determining program eligibility. This would permit better targeting of program funds to institutions which serve substantial percentages of disadvantaged students, and which lack the financial bases necessary to continue providing such services.

We propose increased funding for Endowment Grants. This increase will, in the long run, enable institutions themselves to support improvements in management, administration, academic programs, and student services. A number of program improvements would be made to assure the success of the program in stimulating the growth of institutional endowment funds. Specifically, a goal for institutions participating in the Endowment Grant program would be established. The goal would be to assist institutions in building a $10 million endowment corpus. This level of endowment would generate income in excess of the average annual development grant under the existing authority.

In addition, we propose to consolidate the two current development grant programs into one to ensure institutions a smooth transition from direct Federal support--which is emphasized under the current programs--to endowment building.

Aid to Disadvantaged Students

The 1987 budget includes $82.4 million for programs designed to assist institutions and agencies in providing poor and disadvantaged individuals with information and skills needed to make critical academic and career choices, and to enroll in postsecondary educational programs. As with the programs designed to aid institutional development, the Department has proposed significant changes to the authorities under which this assistance is provided so as to eliminate overlapping objectives.

The Department proposes to consolidate five similar outreach authorities--Upward Bound, Talent Search, Educational Opportunity Centers, the Migrant High School Equivalency Program, and the unfunded Education Outreach Program. We believe that the Federal role of encouraging institutions and agencies to initiate outreach activities and to then continue providing such services with their own financing can be achieved under a streamlined program funded at about one half the current level.

The Department also proposes to continue to assist institutions in providing the counseling and support services necessary for disadvantaged college students to successfully complete a postsecondary education. To help accomplish this purpose, the Department proposes to consolidate the similar College Assistance Migrant Program and Special Services for Disadvantaged Students authorities. Through a new Special College Services program, institutions would be encouraged to assimilate special academic and support services for poor and disadvantaged students into their own budgets. This will enable the Department to continue to support about the same number of institutions with about one-half of the funds made available in prior years.

Strengthening Postsecondary Quality

For 1987, $10 million is requested for the Fund for the Improvement of Postsecondary Education (FIPSE). This program helps the Department fulfill its leadership role in stimulating improvements in the quality of postsecondary education. Over the past several years, this program has been shown to be both successful and cost-effective in encouraging institutions of higher education, as well as public and private organizations, to improve the quality of the education provided--but without intruding on institutional prerogatives. The 1987 request would enable FIPSE to address a number of significant quality issues in postsecondary education.

In addition, the Department is proposing a new Institutions Science Improvement Program for Disadvantaged Students (ISIPDS). This program would replace the current Minority Institutions Science Improvement Program under which eligibility is determined on the basis of race. The 1987 request level of $5 million would promote quality in science education at institutions serving significant numbers of financially disadvantaged students.

Academic Facilities

The 1987 request includes $23 million for Interest Subsidy Grants which will be used to make subsidy payments on an existing portfolio of higher education facilities loans. These payments are contingently guaranteed under agreements with institutions of higher education. The Department is proposing repeal of the authority to enter into new commitments--retaining only the few statutory provisions needed to continue making payments of subsidies under existing agreements.

Other Higher Education Programs

The 1987 request proposes elimination of several programs in the Higher Education account. These programs have either fulfilled their original purpose, have provided services available from other programs or are not fundamentally a Federal responsibility. Low priority programs are, therefore, proposed for elimination to help reduce the Federal deficit and to focus Federal expenditures on more critical areas.

The Cooperative Education and Law School Clinical Experience programs have fulfilled their original purposes. These programs were begun to demonstrate the soundness of cooperative education and clinical legal education. The effectiveness of these educational methodologies has been well documented, and institutions themselves should now provide the necessary funding.

The Veterans' Cost-of-Instruction program has outlived its original purpose. This program was designed to address the special higher education needs of large numbers of returning Vietnam veterans. The Vietnam conflict ended more than a decade ago, however, and there are no longer the large numbers of enrolled veterans needing the special outreach and support services provided by this program. Instead, Vietnam veterans can avail themselves of general counseling and support services available at colleges and universities. For this reason, no funds are requested for this program in fiscal year 1987.

The graduate programs (including Graduate and Professional Opportunity Fellowships, Public Service Fellowships, National Graduate Fellowships, Legal Training for the Disadvantaged, and Law School Clinical Experience) provide financial support to graduate students. There is already adequate financial aid available from a wide variety of Federal and non-Federal sources which needy students can use to help defray the cost of undertaking graduate education. Moreover, Federal funds should not be targeted to disciplines which supply an adequate number of new graduates.

No funds are requested for the Carl D. Perkins Scholarship program for similar reasons. The Perkins Scholarship program is designed to provide financial assistance to students planning to pursue a career in teaching. The Federal Government, through other programs administered by the Department, has provided and will continue to provide financial aid to needy students including those planning to pursue a career in teaching. It seems inappropriate, therefore, to initiate a new program to provide support to a small number of students.

No funds are being requested for International Education and Foreign Language Studies. We believe that these programs can best be supported by the institutions themselves and by the private sector. Institutions of higher education currently provide nearly 95 percent of the operating funds of National Resource Centers, the largest of the programs supported under this authority. In addition, activities similar to some of those supported by the Department are being supported through philanthropic and other private sector means. Where there are specific Federal needs relative to foreign language and area and international studies, those needs can better be met through the specialized programs of other Federal agencies with substantive interests in international affairs.

Finally, no funds are requested for Academic Facilities Construction Grants, Assistance to Guam, the Robert A. Taft Institute of Government, and the Center for Excellence in Education. These activities are all non-essential and therefore, of low priority. Moreover, these activities are more properly the responsibility of colleges and universitites, State and local governments, and private sector users and beneficiaries of higher education services.

Fiscal Year 1986 Rescissions

The President also is proposing rescissions of $181 million of fiscal year 1986 funds. These reductions will help achieve needed deficit reduction savings particularly in 1987 when 75 percent of the outlays associated with these rescissions would occur. Achieving these savings now would help avoid the need for budget authority reductions in 1987 and beyond. The proposed rescissions include:

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$86.4 million for Special Programs for the Disadvantaged; $2.9 million for Veterans' Cost-of-Instruction; $2.2 million for the Fund for the Improvement of Postsecondary Education; $30.7 million for International Education; $13.8 million for Cooperative Education; $9.6 million for Academic Facilities Construction Grants; $18.9 million for the Graduate Programs; $9.6 million for Carl D. Perkins Scholarships; $479,000 for Assistance to Guam; $718,000 for the Robert A. Taft Institute of Government; and $5.7 million for the Center for Excellence in Education. The activities proposed for rescission either are duplicative of or similar to other Federal, State or local programs, or are narrow in purpose and nonessential.

Thank you again for the opportunity to appear today to present the fiscal year 1986 and 1987 request for the Higher Education account. My colleagues and I will be happy to respond to any questions you may have.

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DEPARTMENT OF EDUCATION

Office of Postsecondary Education

Biographical Sketch

NAME : C. Ronald Kimberling

POSITION : Assistant Secretary for Postsecondary Education

BIRTHPLACE AND DATE : Cleveland, Ohio
September 24, 1950

EDUCATION : California State University, Northridge, Calif. 1972, B.A.
University of Southern California, Los Angeles, Calif., 1974, A.M. in American Studies
California State University, Northridge, Calif. 1977, A.M. in Mass Communication: Journalism
University of Southern California, Los Angeles, Calif., 1977, A.M. in English
University of Southern California, Los Angeles, Calif., 1981, Ph.D. in English

EXPERIENCE :

PRESENT : Assistant Secretary for Postsecondary Education

1985 - 1986 : Acting Assistant Secretary for Postsecondary Education
1982 - 1985 : Deputy Assistant Secretary for Higher Education Programs, Office of Postsecondary Education, U. S. Department of Education
1982 - 1982 : Executive Secretary, Office of the Secretary, U. S. Department of Education
1981 - 1982 : Deputy Executive Secretary, Office of the Secretary, U. S. Department of Education
1978 - 1981 : Director of Enrollment Services, University of Southern California, Los Angeles
1975 - 1979 : Assistant Professor, Department of Journalism, California State University, Northridge
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1972 - 1974 : Editor/News Reporter, City News Service, Los Angeles, California
1972 - 1973 : News Director, KCSN-FM, Northridge, California

ACADEMIC AND PROFESSIONAL MEMBERSHIPS : American Association of Collegiate Registrars and Admissions Officers
Popular Culture Association
Kappa Tau Alpha-Journalism Honor Society
Phi Kappa Phi Honor Society

OPENING STATEMENT

Mr. KIMBERLING. Thank you for the opportunity to present the fiscal year 1987 budget request for the Higher Education account, which totals $261.6 million. This amount is approximately $7 million more than our revised 1986 request of $254.8 million.

The emphasis of our request is on the Federal commitment to addressing the postsecondary educational aspirations of poor and disadvantaged individuals.

To meet that commitment, we propose to target funds to those activities which assist developing postsecondary institutions serving high percentages of disadvantaged students, and to activities which provide special support services to disadvantaged students.

We are, however, proposing to restructure the current programs so that they carry out these objectives more effectively, and we are also proposing ways of encouraging institutions to seek funds from non-Federal sources.

In addition, we are proposing a modest amount of funds to stimulate excellence and quality in postsecondary education.

The Higher Education account has historically funded a number of small programs. For the past several years, we have requested no new funding for a number of these authorities. Some of these programs have outlived their original purpose. Others have met their objective of demonstrating the effectiveness of a particular educational approach.

Still others have goals which can be better met by the private sector. At a time when we are all concerned about the Federal deficit, it seems even more appropriate to eliminate these programs.

INSTITUTIONAL DEVELOPMENT

Our 1987 request includes $141.2 million for Title III of the Higher Education Act which authorizes Aid for Institutional Development. These programs assist colleges and universities which enroll a high percentage of disadvantaged students, including the Nation's historically black colleges and universities, for which a total of $45.7 million would be reserved.

The Department proposes to refocus and modify significantly the program objectives of Title III of the Higher Education Act. The proposed changes to the Title III programs reflect a reconceptualized program objective: To help eligible institutions develop solid financial bases so that they will no longer need annual Title III assistance to survive.

The Department would significantly change the criteria used in determining program eligibility. This would permit better targeting of program funds to institutions which serve substantial percentages of disadvantaged students, and which lack the financial bases necessary to continue providing such services.

We propose increased funding for endowment grants. This increase will, in the long run, enable institutions themselves to support improvements in management, administration, academic programs, and student services.

A number of program improvements would be made to assure the success of the program in stimulating the growth of institutional endowment funds.

Specifically, a goal for institutions participating in the endowment grant program would be established. The goal would be to assist institutions in building a $10 million endowment corpus. This level of endowment would generate income in excess of the average annual development grant under the existing authority.

In addition, we propose to consolidate the two current development grant programs into one, to ensure institutions a smooth transition from direct Federal support, which is emphasized under the current programs, to endowment building.

AID FOR DISADVANTAGED STUDENTS

The 1987 budget includes $82.4 million for programs designed to assist institutions and agencies in providing poor and disadvantaged individuals with information and skills needed to make critical academic and career choices, and to enroll in postsecondary educational programs.

As with the programs designed to aid institutional development, the Department has proposed significant changes to the authorities under which this assistance is provided so as to eliminate overlapping objectives.

The Department proposes to consolidate five similar outreach authorities: Upward Bound, Talent Search, Educational Opportunity Centers, the Migrant High School Equivalency Program, and the unfunded Continuing Education Outreach Program.

We believe that the Federal role of encouraging institutions and agencies to initiate outreach activities and to then continue providing such services with their own financing can be achieved under a streamlined program funded at about one-half the current level.

The Department also proposes to continue to assist institutions in providing the counseling and support services necessary for disadvantaged college students to successfully complete a postsecondary education.

To help accomplish this purpose, the Department proposes to consolidate the similar College Assistance Migrant Program and Special Services for Disadvantaged Students authorities.

Through a new Special College Services program, institutions would be encouraged to assimilate special academic and support services for poor and disadvantaged students into their own budgets. This will enable the Department to continue to support about the same number of institutions with about one-half of the funds made available in prior years.

FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION

For 1987, $10 million is requested for the Fund for the Improvement of Postsecondary Education, FIPSE. This program helps the Department fulfill its leadership role in stimulating improvements in the quality of postsecondary education.

Over the past several years, this program has been shown to be both successful and cost-effective in encouraging institutions of higher education, as well as public and private institutions, to improve the quality of the education provided, but without intruding on institutional prerogatives.

The 1987 request would enable FIPSE to address a number of significant quality issues in postsecondary education.

SCIENCE IMPROVEMENT PROGRAM FOR DISADVANTAGED STUDENTS

In addition, the Department is proposing a new Institutions Science Improvement Program for Disadvantaged Students, ISIPDS. This program would replace the current Minority Institutions Science Improvement Program, under which eligibility is determined on the basis of race.

The 1987 request level of $5 million would promote quality in science education at institutions serving significant numbers of financially disadvantaged students.

INTEREST SUBSIDY GRANTS

The 1987 request includes $23 million for Interest Subsidy Grants which will be used to make subsidy payments on an existing portfolio of higher education facilities loans.

The Department is proposing repeal of the authority to enter into new commitments; retaining only the few statutory provisions needed to continue making payments of subsidies under existing agreements.

PROGRAMS NOT PROPOSED FOR FUNDING

The 1987 request proposes elimination of several programs in the Higher Education account. These programs have either fulfilled their original purpose, provide services available from other programs, or are not fundamentally a Federal responsibility.

These low priority programs are, therefore, proposed for elimination to help reduce the Federal deficit and to focus Federal expenditures on more critical areas.

The Cooperative Education and Law School Clinical Experience Programs have fulfilled their original purposes. These programs were begun to demonstrate the soundness of cooperative education and clinical legal education. The effectiveness of these educational methodologies has been well documented, and institutions themselves should now provide the necessary funding.

The Veterans' Cost-of-Instruction Program has outlived its original purpose. This program was designed to address the special higher education needs of large numbers of returning Vietnam veterans.

The Vietnam conflict ended more than a decade ago, however, and there are no longer the large numbers of enrolled veterans needing the special outreach and support services provided by this program.

Instead, Vietnam veterans can avail themselves of general counseling and support services available at colleges and universities. For this reason, no funds are requested for this program in fiscal year 1987.

The gradute programs, including Graduate and Professional Opportunity Fellowships, Public Service Fellowships, National Graduate Fellowships, Legal Training for the Disadvantaged, and Law

School Clinical Experience, provide financial support to graduate students.

There is already adequate financial aid available from a wide variety of Federal and non-Federal sources which needy students can use to help defray the cost of undertaking graduate education.

Moreover, Federal funds should not be targeted to disciplines which supply an adequate number of new graduates.

No funds are requested for the Carl D. Perkins Scholarship program for similar reasons. The Perkins Scholarship program is designed to provide financial assistance to students planning to pursue a career in teaching.

The Federal Government, through other programs administered by the Department, has provided and will continue to provide financial aid to needy students, including those planning to pursue a career in teaching.

It seems inappropriate, therefore, to initiate a new program to provide support to a small number of students.

No funds are being requested for International Education and Foreign Language Studies. We believe that these programs can best be supported by the institutions themselves and by the private sector.

Institutions of higher education currently provide nearly 95 percent of the operating funds of National Resource Centers, the largest of the programs supported under this authority. In addition, activities similar to some of those supported by the Department are being supported through philanthropic and other private sector means.

Where there are specific Federal needs relative to foreign language and area and international studies, those needs can better be met through the specialized programs of other Federal agencies with substantive interests in international affairs.

Finally, no funds are requested for Academic Facilities Construction Grants, Assistance to Guam, the Robert A. Taft Institute of Government, and the Center for Excellence in Education.

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$86.4 million for Special Programs for the Disadvantaged; $2.9 million for Veterans' Cost-of-Instruction; $2.2 million for the Fund for the Improvement of Postsecondary Education; $30.7 million for International Education; $13.8 million for Cooperative Education; $9.6 million for Academic Facilities Construction Grants; $18.9 million for the Graduate Programs; $9.6 million for Carl D. Perkins Scholarships; $479,000 for Assistance to Guam; $718,000 for the Robert A. Taft Institute of Government; and $5.7 million for the Center for Excellence in Education.

The activities proposed for rescission either are duplicative or similar to other Federal, State or local programs, or are narrow in purpose and non-essential.

Thank you again for the opportunity to appear today to present the fiscal year revised 1986 and 1987 requests for the Higher Education account. My colleagues and I will be happy to respond to any questions you may have.

IMPLEMENTATION OF THE SEQUESTER

Mr. NATCHER. For 1986, the amount of $19.575 million is being sequestered under this appropriation account. Was this reduction applied uniformly among all the programs involved?

Mr. KIMBERLING. Yes, Mr. Chairman. In the sense that each program project or activity received a 4.3 percent reduction.

Where we had the possibility of reducing the impact of the sequestrations upon continuation projects, we did. We tried to preserve funding for the continuation projects, and we consequently will be making fewer new awards.

This will help ongoing activities.

EFFECT ON TRIO PROGRAMS

Mr. NATCHER. How was the reduction applied among the various parts of the special programs for the disadvantaged, the so-called TRIO program, for instance?

How much was Talent Search reduced under sequestration?

Mr. KIMBERLING. It was reduced by 4.3 percent from its original appropriation. That original amount was $20.7 million, and so, it would be 4.3 percent of that amount.

With this particular set of programs, each of the grants historically has had a funding cycle where competitions are held every three years, and therefore, it was felt that the competition for the Upward Bound program, the only program in this account making new awards this year would have taken a disproportionately large share of reductions, and a disproportionately large share of reduced awards.

We, therefore, distributed the reductions across all of the programs, and with Upward Bound, we will be making more awards than we would have, had this program borne the total responsibility for the program reductions.

Mr. NATCHER. Dr. Kimberling, look at page 143 of the justifications, under Talent Search. I don't believe you show any reduction there, as far as available funds are concerned. You do in Upward Bound.

Mr. KIMBERLING. Yes, Mr. Chairman.

This information is incorrect at the present time. I believe it was an option that was originally planned, but after considerable internal discussion, and in particular, after discussion with representatives of the TRIO community, it was felt that it would not be reasonable, nor fair to make one component of the program that just happened to be up for competition this particular year—bear the brunt of the sequestrations.

Mr. NATCHER. It is a mistake here in the justifications. You are now explaining to us that this is incorrect?

Mr. Kimberling. That is correct, Mr. Chairman. We will furnish the correct figures for that page.

[The information follows:]

Revised Distribution of Fiscal Year 1986 Funds for Trio Programs

The following is the allocation of FY 1986 funds after sequestration for the Special Programs for the Disadvantaged:

	1986	
	Estimate	Revised
Special Services	$70,084,000	$67,070,000
Talent Search	20,731,000	19,840,000
Upward Bound	67,762,000	72,106,000
Educational Opportunity Centers	9,209,000	8,813,000
Staff Training	1,000,000	957,000
Total	168,786,000	168,786,000

Mr. Natcher. You are also requesting rescissions totalling $180,882,000 under the Higher Education appropriation. These rescissions are about to expire, as you know.

PLANS FOR OBLIGATION OF FUNDS PROPOSED FOR RESCISSION

For the record, describe the schedule and the actions planned to obligate these funds during the balance of the fiscal year.

What is the status of implementing the Carl D. Perkins Scholarship program?

Mr. Kimferling. Well, Mr. Chairman, as you know, this program was funded for the first time in fiscal year 1986. It was on our proposed rescission list.

We have developed proposed regulations for that program, and they are undergoing final clearance. They should be published during this month in the Federal Register.

Should the rescission request not be accepted, we will have a letter going out within a matter of days to the Governors of the various States.

That would be a necessary first step in advising the various States how to implement this program and apply for funding.

We would expect to be able to obligate all the funds under the Carl Perkins Program by September 30 of this year.

ATTRACTING BRIGHT STUDENTS INTO TEACHING

Mr. Natcher. Department officials have spent a great deal of time discussing the need to upgrade the quality of our teaching force. How do you reconcile this concern with your proposal to eliminate funding for the Carl D. Perkins Scholarship program, which is intended to attract bright students into teaching?

Mr. Kimberling. Well, Mr. Chairman, we feel that there are a number of successful targeted programs that various States have.

The increases in salaries paid to teachers over the last few years have made those salaries much more competitive and more attractive, and we are very pleased to see that, beginning with the fall enrollment of this year, the enrollment in colleges of those pursuing a teaching career actually surpasses the enrollment of those pursuing a computer science major, for the first time in some years.

So we think that there is greater interest in the teaching profession, and that our general student aid programs, as opposed to targeted funding, would be the most appropriate way of dealing with the higher education financing of prospective teachers.

Mr. **Natcher**. Do you believe that there are sufficient numbers of bright college students entering teacher education programs without the incentive offered by this program?

Mr. **Kimberling**. Mr. Chairman, I believe that there will be sufficient numbers of bright young people without this particular program, provided that the States continue to do the kinds of things that they are doing, and provided that we have programs such as our proposed $75 million fellowship program for supporting existing teachers. Once they are into the career, the salaries must be sufficient and the kinds of professional development opportunities adequate to keep these individuals in teaching.

The needs for teachers will be very great in the next few years, and it is quite clear that we will need to attract bright individuals.

Mr. **Natcher**. Your budget is proposing a new Teacher Training Improvement Program, with a 1987 funding level of $75 million. Why do you propose a new program in this area when you have not yet had an opportunity to implement the Carl D. Perkins Scholarship Program?

Mr. **Kimberling**. This program builds on the shoulders of the existing program that was authorized under the Education for Economic Security Act of 1984.

We are proposing to widen the number of disciplines in math, science, and in some cases foreign languages, to include teachers in all disciplines.

LEGISLATIVE PROPOSALS FOR THE ACADEMIC FACILITIES PROGRAM

Mr. **Natcher**. Under academic facilities, tell us, if you will, what legislative changes, if any, are you proposing in regard to the reauthorization of the Higher Education Academic Facilities Construction Grant Program?

Mr. **Kimberling**. Yes, Mr. Chairman, we are proposing to withdraw authority to make new grants under this title.

Mr. **Natcher**. What data do you have concerning the need for assistance under the Academic Construction Grants Program?

Mr. **Kimberling**. There are a number of pieces of data that relate to the construction situation in higher education. We note, for example, that the college enrollments have stabilized throughout the period up to the early nineties, and are projected to slightly decline. We also note that the percentage of part-time, commuting students and older students who do not reside on campus or make quite as much use of facilities, has increased.

There are some needs in the higher education community for the replacement of old equipment, and for dealing with problems of deferred maintenance, but as I read the newspapers every fall and read about the tuition and fee increases, nearly double or in some cases more than double that of the inflation rate, most colleges and universities are arguing that they will take advantage of these increases in tuition in order to help meet the deferred maintenance costs.

So, from that perspective, we feel what deferred maintenance expenditures are required will be met by these increases in tuition and by these changes in demographics.

Mr. NATCHER. Are you acquainted with the reports from the White House panel studying higher education concerning facilities?

Mr. KIMBERLING. I have read some summaries of that report, Mr. Chairman, not the report itself.

Mr. NATCHER. D. Allen Bromley, Vice Chairman of the White House Science Council's Panel on the Health, Universities and Colleges, said, "The panel will recommend increased Federal aid to universities in a report to be released this month. We find ourselves with aging facilities, buildings that are falling down around our ears, with equipment that is literally older than the students."

Do you find any of these conditions around, Dr. Kimberling, as far as facilities generally are concerned? How do you feel about a statement like that?

Mr. KIMBERLING. It is true that there are a number of older facilities, but we would note that the National Science Foundation, for example—the latest figure I have is fiscal year 1984—but under the National Science Foundation, $430 million were provided for physical plant, R&D.

There are a number of other Federal agencies that provide funds, and insofar as we feel that there is a Federal role for facilities support, it is our view that that role ought to be confined to science and engineering-oriented equipment and facilities, and the agencies that are most appropriate to carry out this mission are the National Science Foundation and other agencies with a high R&D sort of mission.

Mr. NATCHER. What is the total number of requests for 1985-1986 for this program?

Mr. KIMBERLING. We are expecting an announcement to be published within the next couple of months, and therefore, we do not have an indication of the volume of requests yet.

GRADUATE FELLOWSHIP PROGRAM

Mr. NATCHER. The 1987 budget would eliminate funding for the Graduate and Professional Opportunity Fellowship Program. The reason given is that the program duplicates other efforts.

What other programs are available that would serve the same purpose as this program, Dr. Kimberling?

Mr. KIMBERLING. One of the areas where a great deal of GPOP support has been provided in recent years is in the area of science, engineering, mathematics and computer science, all areas where minorities and women have been traditionally underrepresented.

But we also note that the National Science Foundation has fellowship and traineeship programs, and the National Institutes of Health have fellowship and traineeship programs, and to some extent our Department's own programs in handicapped research provide some support. Of course, there is support through a number of the Department's general student aid programs, but particularly in some of these areas that have been the focus of GPOP funding, the sciences and engineering, there is considerable support from the Department of Defense, NIH and NSF.

Mr. NATCHER. How many institutions have students who receive funds under this program?

Mr. KIMBERLING. Fiscal year 1986, Mr. Chairman, subsequent to the Gramm-Rudman-Hollings reductions, approximately 154 institutions.

Mr. NATCHER. What types of institutions are we talking about? Do they tend to be public or private?

Mr. KIMBERLING. A mixture across the board, public, private, large and medium size. Of course, they all have to have graduate degree authority, and to that extent, we are largely talking about the universities, but they run the whole gamut, and they include some very well-endowed institutions as well as some more modestly funded institutions.

Mr. NATCHER. Do you have any follow-up studies since the program began in 1968 of the success of the participants that would indicate overall effectiveness of the graduate and the professional opportunity program?

Mr. KIMBERLING. The National Science Foundation annually conducts studies which track graduate degree recipients, and they report in the most recent follow-up, the 1983 cohort of doctoral students, only four-tenths of 1 percent reported that they had received GPOP funding as a source of their graduate education.

We have data from the latest year which is 1983–1984, that a total of 121 individuals received master's degrees, 72 juris doctorate degrees in law, and 60 received Ph.Ds. for a total of 253 degree recipients under this particular program.

This particular year, assuming the rescission request would not be accepted, they will be providing some 1,352 fellowships, so it appears as if there is a fairly high attrition rate.

Mr. NATCHER. The 1987 budget request proposes to eliminate the National Graduate Fellowships Program. Is this program specifically directed toward minority participation?

Mr. KIMBERLING. No, it is not. It is merit-based, not directed towards minorities.

Mr. NATCHER. To what extent can other programs such as the National Endowment for the Humanities fellowship program provide sufficient fellowships in the arts, humanities and social sciences?

Mr. KIMBERLING. To the best of my understanding, the National Endowment for the Humanities fellowship program is a very limited one, and that particular program alone would not serve totally as an alternative to this particular program.

There are, in the arts and humanities a large number of privately-funded programs, and in certain disciplines such as English, there are a very large number of teaching fellowships, teaching assistantships on campus.

Most of your freshman English classes, for example, are taught by fellows who receive both a stipend of income and tuition, full tuition payment for their labors.

PUBLIC SERVICE FELLOWSHIP PROGRAM

Mr. NATCHER. The 1987 budget proposes to eliminate funding for the Public Service Fellowship Program. How many students received public service fellowships last year?

Mr. KIMBERLING. In 1985, 309 public service fellowships were awarded.

Mr. NATCHER. How many institutions were represented?

Mr. KIMBERLING. 49.

Mr. NATCHER. To what extent did the historically black colleges and universities participate in the program?

Mr. KIMBERLING. I don't have that information available, Mr. Chairman. I will furnish it for the record.

[The information follows:]

PARTICIPATION IN PUBLIC SERVICE FELLOWSHIP PROGRAM

Four historically Black colleges and universities participated in the Public Service Fellowship Program. These schools awarded $109,200 to 13 fellows.

Mr. NATCHER. How many recipients of public service fellowships actually work in public service positions after receiving their degrees? Do you have any figures on that?

Mr. KIMBERLING. Mr. Chairman, the information I have shows that approximately 80 percent of the graduates are employed in jobs related to their academic training.

Mr. NATCHER. 1987 budget request would eliminate funding for the Law School Clinical Experience Program. How many law schools currently receive funding to finance their law programs through this program?

Mr. KIMBERLING. For fiscal year 1985, 44. Depending upon the outcome of the rescission, up to 57 might be funded.

Mr. NATCHER. What portion of the total Federal funds are used by private graduate schools?

Mr. KIMBERLING. For the law school program? I would have to seek that information for the record, Mr. Chairman.

Mr. NATCHER. All right.

[The information follows:]

PARTICIPATION IN LAW SCHOOL CLINICAL PROGRAM

Of the 44 law schools receiving funding in the Law School Clinical Program, 28 were private and 16 were public.

FOUNDATION SUPPORT FOR LEGAL EDUCATION

Mr. NATCHER. One reason you use to justify the elimination of funds for this program is that other organizations, such as foundations can contribute to activities supported under this program.

Have foundations maintained a steady support of legal education over the past few years, or is that support decreasing?

Mr. KIMBERLING. I am not aware whether it is increasing or decreasing, Mr. Chairman. I notice some general trend in foundations away from experimental programs, and back towards support of ongoing programs that represent the core of the curriculum.

And my best guess would, therefore, be that the foundations are moving back in the direction of supporting a more standard sort of program.

Mr. NATCHER. Are there any other major private contributor to programs and activities funded under this program that you know of?

Mr. KIMBERLING. The requirement under Law School Clinical Program is that the institutions themselves put up a portion of the funds, and these represent only a portion of the administrative costs of the program, not any costs directly associated with the students, and to that extent, the institutions already are assuming a large share of the burden.

The average grant is only $25,000, so the institutional commitment in light of the relatively small size of the per-institution grant must be fairly strong.

ELIGIBILITY FOR HISTORICALLY BLACK COLLEGES UNDER TITLE III

Mr. NATCHER. Both House and Senate, as you know, are considering a new formula grant program for historically black colleges and universities under Title III of the Higher Education Act. Do you have objections to that kind of a program?

Mr. KIMBERLING. Yes, we do, Mr. Chairman.

Mr. NATCHER. Tell me why.

Mr. KIMBERLING. We think in large part that a formula grant program would provide funds to meet long-term operational costs at these important institutions.

We support Title III funds on a competitive basis for the historically black colleges, but we feel that a formula grant program would be, in essence, a partial federalization of these institutions, and would weaken their autonomy over time, and their ability to gain self-sufficiency.

SET-ASIDES FOR INSTITUTIONS SERVING OTHER MINORITIES

Mr. NATCHER. Both the House and the Senate versions of reauthorization for institutional development programs would provide funding reservations for institutions with concentration of minority students other than black.

Do you think it is necessary to reserve funds for such institutions?

Mr. KIMBERLING. No, Mr. Chairman, and I do believe that the most recent Senate mark-up session has modified this posture in the Senate side. We feel that institutions serving large numbers of other minorities have done quite well without set-asides under the current program.

There are 28 significantly Hispanic institutions, 10 Native American institutions, and nine Asian Pacific institutions, which, without benefit of a set-aside, have successfully competed for grants in the Title III program.

We further feel that a definition based upon the racial or ethnic origin of the student would be unfair, and in and of itself, discriminatory.

MATCHING REQUIREMENTS FOR PUBLIC SCHOOLS

Mr. NATCHER. Why would you require greater non-Federal matching from public colleges under your proposed endowment grant program?

Mr. KIMBERLING. It is our feeling that endowments essentially represent a reserve of funds for a rainy day, or that can be used for institutional development and growth, and they have primarily been attached to the private sector colleges and universities.

We are delighted to see the growth of attached foundations managing endowment funds for the public colleges. But it is our view that the predictable base of support from State appropriations for the public colleges provide them with a better measure of security than private colleges, which run a chancier and riskier business, because of their greater reliance on income from tuition and fees.

DISADVANTAGED HIGH SCHOOL STUDENTS

Mr. NATCHER. Under special programs for the disadvantaged, what role should the Federal Government play in meeting the needs of the disadvantaged high school students for college counseling services?

Mr. KIMBERLING. We feel that the Federal Government's role is part of a large partnership in providing such services. We are advocating a consolidation of the Upward Bound, Talent Search, Educational Opportunities Centers, and the High School Equivalency and Continuing Education Outreach Program into a single outreach authority.

We feel that the Federal role ought to provide seed money with increased institutional matches in the out years, so as to fully institutionalize these programs in local communities and move away from a role that has provided sums of money to virtually the same institutions and the same narrowly defined populations.

Mr. NATCHER. What should the Federal Government do to deal with the current high school dropout problem, and to what extent do the special programs for disadvantaged students currently respond to this problem?

Mr. KIMBERLING. I think I could probably give an easier answer to the first part of the question, Mr. Chairman.

One thing that Secretary Bennett has asked for, and is currently receiving and compiling are examples of model programs to deal with the dropout problem, and the Department is compiling information and trying to make that available in the near future to local communities.

We also feel that the emphasis that the Federal Government has placed upon adult literacy projects will go a long way toward resolving the dropout problem.

We note that many studies equate illiteracy and the lack of writing skills with a propensity toward high dropout rates, so we think that the Federal Government ought to be focusing its efforts on improving in the ways that we can, by improving the K through 12 education so we don't have this problem.

Mr. NATCHER. Dr. Kimberling, has your office made any recent studies of the special programs for the disadvantaged?

Mr. KIMBERLING. I am not aware of any recent studies of this program, Mr. Chairman.

Mr. NATCHER. Is your proposed postsecondary outreach program based on the results of studies made of the existing programs?

Mr. KIMBERLING. The proposed consolidation has been based upon a review of the legislation governing these programs, and our observation that the activities authorized under such programs as Talent Search, EOC, and the High School Equivalency Migrant Program, are duplicative, serve essentially the same kind of population, and therefore, that the funds might be better disbursed to these populations, if consolidation were to come about.

Mr. NATCHER. Mr. Conte, I yield to you.

Mr. CONTE. Dr. Kimberling, I want to welcome you again before the Subcommittee. You made an excellent presentation last week for the student financial aid programs, even if we didn't see eye to eye on all your proposals. And I am sure you will make another quality presentation here today.

In essence, Dr. Kimberling, we have seen the same austere higher education budget from the Department the last several years. One difference I am happy to see, though, is the inclusion of funds for the FIPSE program. That wasn't in last year's request. We had to do it ourselves on this Committee.

PRIORITIES IN HIGHER EDUCATION

I take the inclusion of that money as a sign of your own priorities as Assistant Secretary. What other changes are in this year's request, and how do they reflect your own views of the Federal role in these higher education programs?

Mr. KIMBERLING. As you know, while we have continued to support significant funding under the Title III program, we have proposed this year to significantly increase the proportion of those funds that would be spent on endowment grant programs.

It is our view in looking at Title III, that it needs to have an anchor. It needs to have a philosophical hitching post. We feel very strongly that in the past, there has been the misassumption that short-term seed money will get some of these institutions that serve low-income individuals and have a low-income base over the hump.

We don't think so. We think that there is a structural financing problem with these institutions, and that building up under Title III a greater long-term financial stability and solvency is the best way to address it.

We are proposing this year to bring the High School Equivalency Program and the College Assistance for Migrants Program, the HEP-CAMP programs, which are authorized under this title, Title IV of the Higher Education Act, into a consolidated TRIO sort of program. We feel that the consolidation will better benefit the target population better.

I guess there are other components of the budget that reflect negative priorities. We feel very strongly, and I personally feel very strongly, that some of the smaller programs, particularly those whose initial legislative purpose was to demonstrate the validity of a particular model or approach in education, need to be seriously reviewed and eliminated. Those funds should be freed up for other uses. We are not saying that all of those programs are bad.

We are saying some of them have worked, and they have fulfilled their purposes, and now it is time to move on to other kinds of priorities.

PROPOSED FUNDING FOR TRIO

Mr. **CONTE**. One of those priorities I can't say I am very pleased with is the proposed cut for the TRIO program. I have been very proud in this anniversary year of the program to be out spreading the word about what it has accomplished over the years. You know this is one program that not only provides people with educational opportunity, it nurtures them, cares for them, and makes them a success.

You should have been up here a few weeks ago when Mr. Stokes and I held a press conference to celebrate National TRIO Day. It was moving to hear the stories of people brought from nowhere, put into our educational system, cared for, and now they are out there as doctors and lawyers, really making a difference in our world.

One woman got up from Ohio and spoke, and she was just tremendous. She said, "If it hadn't been for TRIO, I would still be in reform school". She spent five years in reform school and it was the TRIO program that got her out. She eventually went to Albany Medical School, and today she is a very successful doctor in Ohio. It would give you goose pimples to hear those stories.

Why are you proposing to push this program onto the schools where it may or may not be picked up? It seems to me that this is one program where the Federal Government has a clear and distinct role; why doesn't the Department see it that way?

Mr. **KIMBERLING**. Well, I do see it partly your way, Mr. Conte. I have met with TRIO students and visited projects, and I remember meeting last year with a group of young students from the Imperial Valley in California. Their stories and their enthusiasm were also very heart-warming.

We don't deny the success of these programs in making a difference in individuals' lives. That is why we have consistently advocated funds for these programs.

One has to distinguish between the outreach component and the special services component on a college campus.

The special services component we very strongly—and I personally, feel that those services can and should be institutionalized.

It is to a college or university's advantage to retain the students it admits, and to get them through programs. The number of learning skill centers and remedial programs, counseling programs and so on, have increased dramatically and the budgets for these aspects of student affairs on campuses have gone up tremendously in the last several years.

We are very much concerned with the fact that these funds have historically gone to a more limited number of campuses that get priority points for prior experience. While the impact they are making on the individuals' lives is significant, it is narrow in terms of the number of institutions and individuals we are reaching.

We would like to see those funds freed up and moved around to other parts of the country, and to other institutions, so they can see the validity of the model.

I have to put on my old admission director's hat and look at some of the demographics.

I have been up here the last couple of years preaching this a little bit, but I sincerely believe it and I have seen it in action. The baby boom generation has graduated, and because there are fewer traditional college-age students around, 18 to 21, and because large proportions of those individuals are going to come from low-income or minority families, I am seeing an awful lot of activity from the colleges and universities themselves to reach out and provide those kinds of support services.

In the long run, I have met with TRIO directors who agree with my long-run concern, I think we have to get the high schools together. I think we have to improve the quality of high school guidance counseling, career counseling.

I am not sure what that will take, correcting the number of disciplinary problems that they have to deal with instead of the type of positive effort they can make to affect individual lives. But this is a job that needs to be dealt with through the school systems themselves, in the long run, and not the colleges and universities having to reach back and fix a problem that the high schools should be fixing.

I guess I think in the outreach effort that there is more interest in reaching out, because that results in bottom-line full-time equivalent enrollments in colleges, so they are investing money in it.

They are going to do even more.

ADMISSION PROBLEMS

Mr. CONTE. My alma mater, Boston College, had over 15,000 applications for about 2,100 slots.

Mr. KIMBERLING. There has been a phenomenon where in the old days, people would apply to one or two colleges. Because of the stepped up recruitment efforts, you are seeing three or four admissions for each student. I met with the former Director of Enrollment Services at Boston College, Jack McGuire, and the reason he had quite a reputation in the field, he knew how to target, drum up all those quality applications, so they had a better quality pool to pick from.

RESCISSION EXPIRATION

Mr. CONTE. Your proposal to rescind more than $86 million of the funds we provided last year has now officially expired. Can you tell us when that money will be allocated?

Mr. KIMBERLING. Sure, Mr. Conte. If it expires at the end of today or tomorrow, I will go back and get our grants people working. We are planning, and I believe there was an earlier question reflecting a change in our justifications. We are planning to distribute the Gramm-Rudman-Hollings sequestrations, the 4.3 percent, so it crosses over all of the programs, and not just affects Upward Bound.

We have not completed evaluation of the Upward Bound proposals yet, but we are in the process of reviewing budgets, and the other awards are on a continuation year cycle and can be negotiated speedily.

Mr. **Conte**. Dr. Kimberling, I want to thank you and your staff for being so helpful to my friends at Westfield State College. I realize their Title III proposals didn't get funded this time around, but I am sure with their perseverance, and your assistance, they will put together a successful application.

TITLE III AWARDS

Can you tell me how many new awards you will make this year under both Parts A and B?

Mr. **Kimberling**. We are not sure yet, Mr. Conte, about Part B. We have not completed processing all of the continuation awards, and our own announcement suggested that we may or may not have sufficient funds for new awards after taking care of continuation grants.

If we do make Part B awards, it is likely to be just a handful. We have reserve funds under Part A for new grants, because we knew that continuation awards would not require all the funds appropriated. As a result, we have reserved approximately $8 million for new awards.

We will fund about 15 or 20 planning grants, and approximately 30 or 40 new development grants. I will get the precise figures for the record.

[The information follows:]

NEW PART A AWARDS UNDER TITLE III

Type	Estimated Number
Planning Grants	15
Development Grants	50

Mr. **Conte**. Also get for the record which types of institutions receive the most funds, public, private, two-year, four-year. Give me some kind of a chart.

Mr. **Kimberling**. That I have with me. The latest year I have is fiscal year 1985, because it is a complete year, and percentage-wise, public, two years, received 35.03 percent, public four years, 24.16 percent, private two years, 5.43 percent, and private four years, 35.39 percent of all Title III program funds.

Mr. **Conte**. Do you think that some institutions might have a case for saying that they are effectively shut out of the program because of the set-asides and other factors of the program?

Mr. **Kimberling**. Yes, I do, in some cases. It depends upon the type of institution, the type of award they are applying for and where the funds are. To some extent, the set-asides make it more difficult for the private institutions, in particular, and the public four years to compete.

There are set-asides currently for historically black colleges and universities, and the community colleges. The community colleges, the last three years, have actually competed more successfully and have received more than required by the set-aside.

So for the community colleges we have not even had to use the set-aside. Its existence has had a chilling effect on some institutions so that they do not even apply for funding under this program.

PROPOSED CHANGES IN TITLE III

Mr. **Conte**. What changes are you proposing in Title III for fiscal year 1987, and are any of these incorporated in the two higher education bills moving through Congress?

Mr. **Kimberling**. We are proposing a fairly significant change in eligibility, which is too complex to describe here and the House bill in particular borrows a part of what we are proposing, the House bill proposes to shift away from high average award amounts in student aid to high average numbers of awards.

We feel this will most effectively target support to those low tuition schools serving low-income populations. The House bill is not as precisely written as our proposal is, but it is a move in the right direction.

We are proposing to consolidate the development grant programs currently authorized under Part A and B, and such a merger is being proposed in both the House and the Senate bill. Again, the bill is different slightly from our merger proposal, but not significantly different. The Senate version would provide both renewable and non-renewable grants as we proposed with a slightly different mix.

We had proposed a shift in the endowment grant program, and there has been some interest in this, but that proposal is not included.

The most significant difference between our proposal and the bills as drafted is that they would contain a formula grant program for the black colleges. We would continue to seek provision for an overall $45 million set-aside.

Mr. **Conte**. Using the proposals in this budget, how many new Title III awards will you be able to make in fiscal year 1987?

Mr. **Kimberling**. In fiscal year 1987, we would propose making about 80 new awards under the endowment grant authority and about 100 awards under the new consolidated Part A and B program.

That number will jump up as the years roll along, because there are approximately 275 awards that would be—or that are continuing awards under the old authority that would be protected until the expiration of the grants under our proposal.

NATIONAL GRADUATE FELLOWSHIPS

Mr. **Conte**. In fiscal year 1985, we provided $2.5 million for the National Graduate Fellowships, which you used to make a small number of three-year awards.

In the new math and science reauthorization, I believe, Congress told you to use the money only for the first year of the award, is that correct?

Mr. KIMBERLING. Well, we made two and a half-year awards, with the 1985 funds.

Mr. CONTE. Is that what you are doing with the money we gave you for fiscal year 1986?

Mr. KIMBERLING. The National Science Foundation authority is quite clear, instructing us to make one-year awards, so we anticipate making 196 one-year awards if the rescission request is rejected.

I might mention that I have had some discussions with individuals in the higher education community who are actually coming around to feeling that multiyear awards might be better because they provide for a better flow of funds.

Mr. CONTE. If we decide to continue the program in fiscal year 1987, how much will you need to provide the second year of awards made in 1986, and how much would you need for new 1987 awards?

Mr. KIMBERLING. To continue awards made in fiscal year 1986, assuming about a 7-percent attrition, and some other factors, about $2.2 million would be needed.

Any funds appropriated above that level would be available for new awards.

CARL PERKINS SCHOLARSHIP PROGRAM

Mr. CONTE. Another program where the rescission request has expired is the Carl D. Perkins Scholarships. How do you propose making awards from the nearly $10 million left after the Gramm-Rudman cut?

Mr. KIMBERLING. The Chairman did ask me that question.

Mr. CONTE. Did you tell him how many awards you were going to make?

Mr. KIMBERLING. No, that question was not posed.

Mr. CONTE. What will be the length of each award?

Mr. KIMBERLING. We would anticipate about 1900 scholarships being awarded. These are one-year awards.

Mr. CONTE. Okay.

Mr. KIMBERLING. But renewable.

Mr. CONTE. You know we have been hearing about potential teacher shortages for a long while. This problem could become particularly troublesome in the area of minority teachers because in general, the secondary and high school student population of minorities is on the rise, and more and more of these children will be left without strong role models in those critical secondary and high school years. Are you looking into this problem, and how might a program like the Perkins Scholarships help out?

Mr. KIMBERLING. Well, we are looking at that problem. First of all, we are looking at it through the Office of Educational Research and Improvement in terms of trying to gauge the problem.

My own feeling is that there are a couple of barriers, and from the information I have read, the first barrier is simply that teaching has paid less than other professions, and many minorities who come from low-income families, want to go where the bucks are.

The best fix for that is to continue to see improvements in the salary systems that the States are paying. We are funding through FIPSE, where one of our priorities is teacher education improvement, a couple of projects, one at Grambling, as I recall, that deals with trying to take steps to increase the pass rate of minorities on teacher competency examinations.

And that would seem to be the second barrier. Anything we can do to improve the quality of instruction, so that the pass rate is met better by minorities, will also help.

To that extent, these sorts of efforts will do more good than the Perkins program, which provides a limited number of narrow fellowships. The fellowships in and of themselves will not necessarily guarantee that the person will complete graduate education, nor go into teaching, even if that is their intention to begin with.

CONSTRUCTION FUNDING

Mr. **Conte**. What are your current plans to spend the $10 million we provided in Title VII, Academic Facilities Construction Grants?

Mr. **Kimberling**. Assuming a post-rescission environment here, the $10 million would be reduced by 4.3 percent, affected by the sequestration order.

We would plan to compete that out, along with the $28 million appropriated in fiscal year 1985, and just hold a combined competition with an NPRM due out a little bit later this month, a final notice scheduled to go out by June, and funds all being competed for and obligated by the end of September.

Mr. **Conte**. Your justifications indicate that after the Gramm-Rudman hit, you will be able to fund about 38 projects at an average cost of about $250,000. It seems to me that the average cost is down somewhat from past years, is that correct?

Mr. **Kimberling**. It would be 38 projects from the $10 million, minus the four-tenths of a million, $400,000 under Gramm-Rudman-Hollings.

Mr. **Conte**. So each grant would come to about $250,000?

Mr. **Kimberling**. Between $250,000 and $300,000. The $28 million would provide 112 grants at approximately $250,000. We are estimating 38 at $300,000 for the 1986 money. It is a little hard to gauge, but somewhere in the ball park of 150 grants ranging between $250,000 and $300,000 would be about right.

Mr. **Conte**. That is not going to do much for brick and mortar.

Mr. **Kimberling**. Most of the people I have talked to representing a broad spectrum of higher education have indicated they would like to see the money made available for renovation work, which is authorized, and it requires a 50-percent institutional match.

It is really $500,000 worth of construction, and that is probably sizable for a lot of these campuses for renovation work.

Mr. **Conte**. I can see that.

COOPERATIVE EDUCATION

Another program that I have followed over the years is the Cooperative Education Program. It would seem to me that this is a relatively low-cost operation that essentially pays for itself when you consider the Federal taxes that these students are paying while they are learning important skills. Has the Department ever done a study of the cost benefits of the Cooperative Education Program?

Mr. **Haines**. Some time ago, in the neighborhood of 8 to 10 years ago, there was a study of Cooperative Education, and it showed it to be cost-beneficial.

Mr. **Conte**. As you know, Dr. Kimberling, this program has been particularly successful up in my Congressional District. When will you begin making Title VIII awards this year?

Mr. **Kimberling**. To the best of my recollection, Mr. Conte, we will make continuation awards shortly, before June 30, and will schedule panelists to read the new proposals, which we have already received in-house, between now and June, with the awards being made between June and August.

There are several authorities here, and so, the administration projects, demonstration and training projects—we will be taking those up in separate order.

Mr. **Conte**. How many applications have you received?

Mr. **Kimberling**. I don't know how many we have in house. Typically, the administration grants, they are the bread and butter on campus, are the biggest competition.

Mr. **Conte**. You can put those figures in the record, if you don't have them now.

Mr. **Kimberling**. I do have the figures on the number of awards. It would be approximately 160 administration grants, including new and continuing, two demonstration and nine training grants.

Mr. **Conte**. Are there any programs under your control that do not appear in this budget request before us today, besides, of course, the student aid programs?

Mr. **Kimberling**. We are taking up two accounts later this afternoon, Higher Education Facilities Loans and Insurance and the College Housing Loans Account, and with the exception of those two accounts, there are not any other programs not covered by this account.

Mr. **Conte**. Thank you, Mr. Chairman.

Mr. **Natcher**. Dr. Kimberling, we want to thank you and your associates for appearing before our committee at this time on behalf of your budget request for the fiscal year 1987 for Higher Education.

[The following questions were submitted to be answered for the record:]

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INTERNATIONAL EDUCATION

Mr. Natcher: For the record, provide a listing of all programs throughout the Federal Government that support education in foreign languages and area studies.

Dr. Kimberling: While there is indeed a wide variety of Federal programs involved in foreign language training and area studies, it is not really possible to provide a definitive listing of supported activities because so many are one-time or special-purpose in nature. The major programs for advanced study most similar to those now being assisted by the Department of Education range from the Soviet and East European Research and Training program of the Department of State to the language institutes and other personnel training programs of the State and Defense Departments to the many cultural, academic, scientific, and other exchange programs sponsored by the U.S. Information Agency, the Agency for International Development, the National Science Foundation, and the Departments of Defense and Health and Human Services.

In fact, in the area of international exchanges, the programs administered by this Department are relatively insignificant in number. In fiscal year 1984, for example, of the agencies sponsoring exchanges, the Department of Education ranked last in support--providing less than one percent of overall funding.

Mr. Natcher: How many national resource centers are being supported with 1985 funds?

Dr. Kimberling: In fiscal year 1985, 93 national resource centers were funded.

Mr. Natcher: On the average, what proportion of the centers' budget is derived from Federal funds?

Dr. Kimberling: Between six and seven percent of the operating funds of national resource centers represent Federal support.

Mr. Natcher: If Federal assistance is terminated as proposed in the budget, would these centers continue to operate without Federal support?

Dr. Kimberling: Yes, we think these centers would continue to operate without Federal funds. Besides the fact that Federal support represents such a small portion of national resource center operating budgets, these centers perform important instructional and academic research functions for the institutions themselves, and so it would clearly be in their own self-interest to continue them.

Mr. Natcher: According to your justifications, international education and foreign language studies could be "sustained to a greater degree through contributions by private sector and philanthropic groups". For the record, supply a list of such groups that would likely contribute to international education activities.

Dr. Kimberling: We think that the private sector can and should begin providing far more support for international education than it does now. Current and previous support has come from such organizations as the ASIA Foundation, the Carnegie Corporation, and the Ford Foundation, as well as a number of businesses and industries involved in international commerce. These organizations and many others--such as labor unions, trade associations, and chambers of commerce--can be expected to begin providing more support as they come to increasingly recognize the direct benefits.

Mr. Natcher: In developing your budget for international education, did you consult with officials of other Federal agencies involved with foreign affairs?

Dr. Kimberling: Yes, we did. We are well-informed of both the training and personnel needs of these several agencies as well as their own programs and activities in foreign language studies and international education.

FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION

Mr. Natcher: Is the Secretary directly involved in setting program goals each year for the Fund for Improvement of Postsecondary Education (FIPSE)?

Dr. Kimberling: The priorities for the program are developed jointly by the National Board and FIPSE staff. The Secretary reviews these priorities and makes recommendations for changes.

Mr. Natcher: What specific activities are you proposing for 1986 to respond to the recommendations of the National Commission on Excellence?

Dr. Kimberling: The National Commission on Excellence's recommendations related primarily to secondary education. Those recommendations related to higher education were in the area of teacher training. FIPSE has as one of its priorities in 1986 reforming teacher education. Specifically, we are seeking proposals which would: (1) make it easier for individuals to qualify as teachers who earned degrees in fields other than education and who currently lack pedagogical training; (2) increase current and prospective teachers' understanding of the subjects they teach; (3) ensure that prospective teachers have a solid grounding in the liberal arts; and, (4) attract people of high intellectual ability to the teaching profession.

Mr. Natcher: You are requesting $10,000,000 for the postsecondary education fund for 1987. How many projects do you plan to fund?

Dr. Kimberling: A total of 153 projects would be supported in fiscal year 1987.

Mr. Natcher: How do you avoid duplication between your projects and other discretionary programs in the Department, such as Educational Research and the Secretary's fund under the Chapter 2 program?

Dr. Kimberling: In awarding funds under all the programs which we administer, care is taken to assure that duplication of funding does not occur. In the case of the FIPSE program, this is actually less of a problem than in some of the other discretionary grant programs. In part, this is because fewer grants are awarded under FIPSE than under other programs so the potential for overlap is reduced. Furthermore, since FIPSE supports new and innovative approaches and projects which are action oriented, other programs would not tend to overlap with FIPSE.

Mr. Natcher: Have there been any recent evaluations of the Fund for Improvement of Postsecondary Education?

Dr. Kimberling: An evaluation of FIPSE was conducted in 1983. This evaluation showed that 88 percent of the sampled grantees continued projects for at least two years after their Federal grants ended. On average, an individual FIPSE project influences approximately 20 other institutions, organizations, or individuals. Data collected indicate that approximately 10,000 institutions or organizations were influenced by FIPSE projects between 1973 and 1979.

Mr. Natcher: What is the average grant amount per project?

Dr. Kimberling: The average grant in fiscal year 1985 was about $74,000.

Mr. Natcher: What is the maximum grant awarded in 1985 from the Fund?

Dr. Kimberling: The largest grant made in fiscal year 1985 was $160,000.

MIGRANT ASSISTANCE

Mr. Natcher: You are again proposing that the High School Equivalency Program for Migrants be terminated as a separate program. How would the new consolidated program that you propose in its place provide the special assistance that migrant high school students need?

Dr. Kimberling. The Migrant High School Equivalency program is proposed for merger with a number of other programs which provide similar services to disadvantaged individuals, but which serve different disadvantaged groups. These separate programs would be replaced by a single grant program under which special outreach activities can be undertaken to encourage and assist disadvantaged students in entering postsecondary education. Under this proposal, the institutions and organizations receiving grants would design the services to meet the needs of the disadvantaged individuals in the area served. For institutions which are located in an area with a substantial number of migrant workers, these services would reflect their unique needs. This flexibility would result in less burden for participating institutions and would be less intrusive into the internal affairs of the institutions. In addition, this would result in more cost effective service delivery because institutions would have the flexibility to provide only those services necessary for the success of the individuals that they serve rather than having to provide a wide range of services.

Mr. Natcher: Will the legislation you propose for the Postsecondary Outreach program require institutions to serve migrant students?

Dr. Kimberling: No, institutions would not be required to provide services to migrant students. Institutions will choose participants based on their need for and their ability to benefit from the outreach activities provided by the program. Clearly, depending on the area of the country, those served may include a large percentage of migrant students. But, because some areas have few migrant workers, it is not practical to require all grantees to serve migrant workers.

Mr. Natcher: How many migrant students do you anticipate would be served under the proposed Postsecondary Outreach program?

Dr. Kimberling: We expect that approximately 195,000 persons will be served by the proposed Postsecondary Outreach program. It is not possible, however, for us to estimate the number of migrants who would be served by this program.

Mr. Natcher: You are again proposing that the College Assistance Migrant Program be ended as a separate program. How would the new Special College Services program that you propose in its place provide the special assistance migrant students need?

Dr. Kimberling: The College Assistance Migrant Program is proposed to be merged with the Special Services Program. These two programs provide similar services to disadvantaged individuals. These programs, however, serve different disadvantaged groups. These separate programs would be replaced by a single grant program through which special support services to increase the likelihood of success in postsecondary education for the disadvantaged students would be provided. Under this proposal, the institutions and organizations receiving grants would design the services to meet the needs of the disadvantaged students enrolled at their institutions. For institutions which enroll a substantial number of migrant workers, these services would reflect their unique needs. This flexibility will result in less burden for participating institutions and will be less intrusive into the internal affairs of the institutions. In addition, this will result in more cost effective service delivery as institutions have the flexibility to provide only those services necessary for the success of the individuals that they serve rather than having to provide services required by a national model.

Mr. Natcher: Would institutions receiving support under the new Special College Services program be required to serve migrant students, or could they choose instead to serve other disadvantaged students?

Dr. Kimberling: No, institutions would not be required to provide services to migrant students. Institutions will choose participants based on their need for and their ability to benefit from the services provided by the program. Clearly, depending on the area of the country, those served may include a large percentage of migrant students. But, because some areas have few migrant workers, it is not practical to require all grantees to serve migrant workers.

Mr. Natcher: How many migrant students do you anticipate would be served under the new Special College Services program?

Dr. Kimberling: We expect that approxiamtely 80,000 persons will be served by the proposed Special College Services program. It is not possible, however, for us to estimate the number of migrants who will be served by this program.

VETERANS' COST-OF-INSTRUCTION

Mr. Natcher: The budget proposes to eliminate funding for the Veterans' Cost-of-Instruction program. How many veterans are currently enrolled in postsecondary education and would be affected by the proposed elimination of funding for this program?

Dr. Kimberling: There are currently approximately 200,000 veterans enrolled in postsecondary institutions, substantially less than the 910,000 peak enrollment of fiscal year 1976. Veterans would not be affected by the repeal of this program since the average Veterans' Cost-of-Instruction (VCIP) grant to institutions is now almost negligible ($4,225 in fiscal year 1985) and adequate, appropriate services are also provided through traditional institutional outreach and counseling arrangements.

Mr. Natcher: Do you have any projections on future veterans enrollment in postsecondary education?

Dr. Kimberling: Projections obtained from the Veterans Administration's Education Benefits Service show that by 1989 there will only be 175,000 veterans enrolled in postsecondary institutions for whom VCIP payments are currently authorized.

Mr. Natcher: Is there any other source of support for veterans educational needs if the Veterans' Cost-of-Instruction program were eliminated?

Dr. Kimberling: The VCIP program provides funding to higher education institutions to provide outreach and counseling services for veterans rather than direct support to veterans. As indicated immediately above, appropriate and adequate outreach and counseling services are already available through traditional institutional arrangements. Veterans will also continue to be eligible for direct educational support under both Veterans Administration and Department of Education student aid programs.

Mr. Natcher: How many postsecondary institutions receive Veterans' Cost-of-Instruction awards at the present time?

Dr. Kimberling: In fiscal year 1985, 710 postsecondary institutions received average VCIP awards of $4,225.

COOPERATIVE EDUCATION

Mr. Roybal: Why does the Department propose eliminating the Cooperative Education program when 80 percent of the cooperative programs are in the formative stages, with less than 100 students participating, and still in need of Federal funds?

Dr. Kimberling: The Cooperative Education program was begun to demonstrate the effectiveness of this educational methodology, and to encourage institutions to initiate such efforts on their campuses. We believe that this program has been successful in accomplishing both purposes. Its success is evidenced by the fact that many institutions have adopted this educational approach. While fewer than 200 institutions offered Cooperative Education programs in 1970, nearly 1,000 institutions offer such programs today. Most of the institutions which have begun to offer cooperative education since 1970 have done so after receiving a grant but continue to offer such programs without additional funds. This is also an area in which institutions should be very successful in obtaining private sector support. Therefore, we do not believe there is a need for further Federal encouragement in this area.

LEGAL TRAINING FOR THE DISADVANTAGED (CLEO)

Mr. Roybal: Isn't continuation of the CLEO program justified in light of the low cost of the program to the government and the success rate of CLEO students in law school?

Dr. Kimberling: When the Legal Training for the Disadvantaged (CLEO) program began in 1968, it received no Federal funds and operated on funds received solely from private sources for its first two years. Federal support for the program has afforded this program visibility and demonstrated its effectiveness in training disadvantaged individuals for successful careers in the legal profession. Institutions have recognized the effectiveness of this program and can now carry it forward without Federal funding support.

Mr. Roybal: Even though the CLEO program is largely supported by the educational community, isn't government involvement in this program beneficial as it symbolizes government support for educational assistance to disadvantaged students?

Dr. Kimberling: The Federal Government's strong commitment to the goals of the CLEO program, demonstrated through financial support, has given visibility to the effectiveness of this program. However, law schools which currently participate in the program have already absorbed the major share of the program's cost by supporting half of the operational costs of the summer institute and by waiving the tuition and fees for CLEO fellows. Individuals participating in CLEO are still eligible for the Department of Education's student financial assistance programs. Through Title IV student aid programs the Federal Government can best support educational assistance for disadvantaged students.

Mr. Roybal: What evidence does the Department have to support its statement that private sources will provide adequate financial support for this program if the government no longer funds it?

Dr. Kimberling: At present, private institutions provide considerable support for the program and its participants. Participating law schools have already absorbed the major share of the program's cost by supporting half of the operational costs of the summer institute and by waiving the tuition and fees for CLEO fellows. Both these institutions and the American Bar Association, which provides administrative support for CLEO, have a strong interest in continuing this program.

FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION (FIPSE)

Mr. Hoyer: Dr. Kimberling, last year Dr. Elmendorf told me that FIPSE was a very worthwhile program in terms of the economics of return on the dollar.

How is this reflected by the rescission request of $2.2 million and a budget request of $10 million?

Dr. Kimberling: We feel that the 1987 request level is sufficient to enable the Department to concentrate funds on addressing the most significant quality issues confronting post-secondary education. The funds will support the goal of renewing our Nation's commitment to excellence and achievement in post-secondary education by promoting identification, development and communication of effective practices.

Mr. Hoyer: The Chairman included language in last year's report directing the Department to preserve FIPSE's autonomy in determining grant awards.

What have you done in response to this language?

Dr. Kimberling: The Department will continue to respect and preserve the autonomy of the FIPSE program. The Secretary has indicated his regard for this program by requesting an appropriation equal to the 1986 revised level.

Mr. Hoyer: The Senate Committee included a directive that the Secretary report to that Committee on the staffing pattern at FIPSE.

What problems existed or exist and what have you done to resolve these problems?

Dr. Kimberling: In response to the directive, I wrote to Senator Hatfield, Chairman of the Senate Appropriations Committee, and assured him of my intention to hold FIPSE's ceiling harmless from any reductions in the Department's salary and expenses accounts in light of the Gramm-Rudman-Hollings legislation. I believe some of the concern was generated by the fact that three program officers were to have their terms of appointment expire on December 31, 1985. Those appointments were subsequently extended through September of this year.

At the present time, FIPSE has adequate staff to carry out its responsibilities. However, there are five professional and one clerical vacancies. One of the professional positions is scheduled to be filled in the very near future but the other vacancies cannot be filled at the present time. This is due to the fact that the

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Office of Postsecondary Education, in which FIPSE is located, is currently over the end of the year personnel ceiling. It is for this reason that filling the vacancies has been postponed until the number of staff currently on-board in OPE is reduced through attrition.

BLACK ENROLLMENT

Mr. Hoyer: The Atlanta-based Southern Regional Education Board recently issued a report entitled, "The Enrollment of Black Students in Higher Education: Can Decline be Prevented?"

The report finds that the rate of Black high school graduates enrolling in college has dropped dramatically since 1976. Its conclusion is that fewer Black students will be enrolled in southern universities and colleges in 1990 then are enrolled today.

This report presents several questions.

First, it suggests that financial aid has a great deal to do with the decline in Blacks enrolled in higher education. This has been supported by at least one other study.

Do you see any connection?

Dr. Kimberling: Federal student financial assistance has consistently been available for needy students over the past two decades. The amount of Federal student aid available has increased from $3,211,100,000 in fiscal year 1976 to $12,625,500,000 for fiscal year 1985. Although we do not maintain records of support to students on the basis of race, we do monitor the assistance flowing to the nation's historically Black colleges and universities. Federal student financial assistance to these institutions has steadily increased since 1980. The proposals we have submitted in previous years for the fiscal year 1987 budget would continue to provide for financial support to needy students, which would continue support to needy Black students attending institutions of higher education.

Mr. Hoyer: The report also finds that the academic preparation of Black students remains and is a problem.

With that in mind, why are you again requesting to cut the TRIO programs by $94 million below the budget year 1986 enacted level?

Dr. Kimberling: The responsibility for providing support services to disadvantaged students should not be borne entirely by the Federal Government; institutions of higher education and local agencies should take greater financial responsibility for this activity. In this light, we are proposing a restructured program funded on a cost-sharing basis. Under the restructured program, institutions will have the flexibility to provide those services necessary for the success of the individuals they serve rather than having to provide services required by a national model.

Mr. Hoyer: How many students will lose services under your proposal?

Dr. Kimberling: Under our proposal, 213,000 fewer students would receive services funded by the Federal Government. We believe, however, that many of the institutions and organizations receiving funding will continue to provide services even without Federal support.

While we are concerned about the possible loss of service to some students, we have proposed the current policy in order to increase the number of persons served by these programs by requiring cost-sharing and eventual graduation from the program.

Mr. Hoyer: Are these proposals any different than last year's? If so, how?

Dr. Kimberling: Last year's budget proposal addressed only the existing TRIO programs, and would have eliminated separate funding for Talent Search, Educational Opportunity Centers, and Staff Training components.

The current policy would provide for a restructuring of the programs to be more responsive to local needs. To accomplish this, we have proposed the merger of Upward Bound, Talent Search, Educational Opportunity Centers, Migrant High School Equivalency, and Continuing Education Outreach programs into a single Postsecondary Outreach program through which projects could be supported to help disadvantaged persons receive information, skills, and motivation needed for success in postsecondary education. In addition, we would merge the Special Services program with the College Assistance Migrant program through which projects would be supported to help disadvantaged students in completing a postsecondary education.

TITLE III

Mr. Hoyer: What's wrong, in your opinion, with the Title III program?

Dr. Kimberling: We believe that the Title III programs as currently authorized can never achieve their objective of helping institutions gain self-sufficiency. The overall emphasis of this program since its inception has been on strengthening institutional programs and administration in order to foster self-sufficiency. Unfortunately, this program has not achieved the desired effect. Instead, a number of the institutions served have become increasingly dependent on the program.

In addition, we believe that this program is poorly targeted because the current criteria for establishing institutional eligibility do not identify a discreet set of institutions which serve a high percentage of disadvantaged students and lack adequate financial resources.

Mr. Hoyer: How do you propose to change the program?

Dr. Kimberling: We have proposed a number of changes to the program which I will just briefly summarize here.

The overall objective of our proposals is to provide Federal assistance to institutions which enroll a high percentage of low-income students and lack adequate financial resources to achieve long-term financial viability.

To implement this objective, we propose to: (1) modify institutional eligibility requirements in order to focus aid on institutions which serve a high percentage of low-income students and lack adequate financial resources; (2) consolidate and refocus the current development grant program to give priority to activities which foster financial stability; and (3) enhance the endowment grant program.

Mr. Hoyer: Are any of your proposed changes included in the Higher Education Reauthorization Act as passed by the House?

Dr. Kimberling: The House-passed bill does not adopt our proposals for reauthorizing Title III. It does, however, reflect an attempt to modify the eligibility criteria in a way which will better target aid to institutions which serve the needs of low-income students and lack financial resources. The eligibility criteria used are those that we proposed last year which reflected our earlier efforts to clarify institutional eligibility.

Mr. Hoyer: Is the Senate seriously considering any of them?

Dr. Kimberling: The Senate Committee on Labor and Human Resources has completed their work on a bill to reauthorize the Higher Education Act. Although this bill does not reflect the changes which we proposed, we expect that the Administration's proposals will be given additional consideration when the bill is considered by the full Senate.

Mr. Hoyer: The underlying theme seems to be making institutions more self-sufficient. Where will institutions find the money?

Dr. Kimberling: Under our proposal, we would help each institution to develop an endowment of $10 million. With an endowment of that size, institutions will have sufficient resources to continue to develop without additional Federal support.

Mr. Hoyer: How will your proposal affect historically Black colleges and universities?

Dr. Kimberling: Our proposals were developed with the unique needs of historically Black colleges and universities very much in mind.

First, we made the determination that all the historically Black colleges and universities--HBCUs--continue to need assistance. For this reason, we have made them explicitly eligible to receive support. The only exception is the few unaccredited HBCUs which would not be eligible to receive support.

Second, we would provide a different rate of matching for HBCUs under the endowment grant program than would be provided for most other institutions. Under our proposal, HBCUs would receive $2 for every $1 raised in matching money.

Mr. Hoyer: On page 151 of your justification, you suggest that MISIP eligibility criteria discriminates on the basis of race.

Please explain this statement and how you would change the criteria.

Dr. Kimberling: In the process of developing our legislative proposal for the Minority Institutions Science Improvement program, we became concerned that the program was focused too narrowly. Most minority students attend predominantly white institutions. By limiting the program to predominantly minority institutions, the benefits of the program are shared by only a few of the minority students. Furthermore, strictly racially-based criteria fail to recognize the need for encouraging financially disadvantaged students to pursue science, math and engineering careers.

We are proposing to re-orient this program to serve financially disadvantaged students, including minority students. This change will more equitably distribute the benefits of this program, while strengthening the linkage between this program and the Title III programs.

We believe that these changes will assure the long-term viability of these important institutions.

MINORITIES IN SCIENCE

Mr. Hoyer: The National Science Foundation recently reported that in 1976, Blacks made up 1.6 percent of the science and engineering work force, compared to 2.3 percent in 1984.

What's being done to address this serious shortage?

Dr. Kimberling: The figures which you cite in your question on Black participation in the science and engineering work force represent almost a 44 percent increase in Black participation. This suggests strongly that there is something being done to correct this problem and that it is working. Much of the improvement which occurred during the eight year period between 1976 and 1984 reflects growing Black awareness of the opportunities available in science and engineering. Increased market demands for trained professionals in science and engineering--reflected in the high salaries that persons with such training receive--have resulted in gains in Black employment in the sciences and engineering fields.

This has not occurred in a vacuum. Federal student aid in the form of grants, work, and loans have helped Blacks and others pursue a postsecondary education. In addition, the National Science Foundation and other agencies, including the Department of Education, administer programs which help persons--including Blacks and other minorities--in pursuing training in science and engineering.

Mr. Hoyer: Has the Minority Institutions Science Improvement Program (MISIP) been a success?

Dr. Kimberling: Yes, it has been successful at strengthening the science and engineering instruction offered to students enrolled in predominantly minority institutions. In addition, it has helped to improve the quality of the educational facilities used for science and engineering at these institutions.

Mr. Hoyer: Why are you proposing to change the program?

Dr. Kimberling: We are proposing to change the program in two ways. First, we are proposing to build a firmer legislative base for this program under the Higher Education Act. Currently, the authorization for this program rests in the General Education Provisions Act and is quite vague. As a result, the current program operates via regulations without a specific legal framework. We are seeking to correct this problem by proposing more complete authorization language as part of our reauthorization proposals.

Second, in the process of developing our legislative proposal to strengthen the legal base of the program, we became concerned that this program was focused too narrowly. We believe it should be expanded to meet the needs not only of predominantly minority institutions but other institutions which serve significant numbers of low-income students, including Blacks and other minorities.

DEPARTMENT OF EDUCATION

Higher Education

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HIGHER EDUCATION

[For carrying out title III of the Higher Education Act of 1965, as amended, $141,208,000, of which $23,208,000 for the endowment grant program under section 333 of title III of said Act shall remain available until September 30, 1987: Provided, That not less than $45,741,000 of funds appropriated for title III of said Act shall be available only to historically black colleges and universities.]1/

For carrying out [subpart 4 of part A of title IV; titles VI, VII, VIII, and X, parts B, C, D, and E of title IX; and sections 420, 734, and 1204(c)]1/ section 734 of title VII of the Higher Education Act of 1965, as amended; [title XIII, part H, subpart 1 of the Education Amendments of 1980; and section 102(b)(6) of the Mutual Educational and Cultural Exchange Act of 1961; $293,030,000, of]1/ $23,000,000, which [$23,500,000 made available for interest subsidy grants under section 734 of the Higher Education Act and $10,000,000 made available for undergraduate and graduate facilities grants under part B of title VII of said Act]1/ shall remain available until expended [: Provided further, That sections 922(b)(2) and 922(e)(2) and the funding limitations set forth in section 922(e) of the Higher Education Act shall not apply to funds in this Act]1/.

[For carrying out title V, section 501 of the Human Services Reauthorization Act, Public Law 98-558, not to exceed $6,000,000 to remain available until September 30, 1987: Provided, that the Federal share of the cost of the facility shall not exceed 50 percent.]1/

HIGHER EDUCATION -- Continued

[For carrying out the provisions of part E of title V of the Higher Education Act of 1965, relating to the Carl D. Perkins Scholarship Program, $10,000,000 to remain available until expended.][1/]

(Department of Education Appropriation Act, 1985)

NOTE: A regular 1986 appropriation for activities or portions of activities of this account had not been enacted at the time this budget was prepared. A continuing resolution (Public Law 99-190) provides funds for these activities through September 30, 1986.

Explanation of Language Changes

1/ This language is deleted because either the authorizing legislation for these programs has expired and/or no funds are requested for these programs in fiscal year 1987. Reauthorization legislation and the fiscal year 1987 budget request for these programs are proposed for later transmittal.

Higher Education

Language Analysis

Language Provision	Explanation
...$23,000,000, which [$23,500,000 made available for interest subsidy grants under section 734 of the Higher Education Act and $10,000,000 made available for undergraduate and graduate facilities grants under part B of title VII of said Act] shall remain available until expended [:	This language establishes a specific funding level for Interest Subsidy Grants and extends until expended the availability of funds for this program.

Higher Education

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual..............................	$479,083,000	$455,238,000	$261,578,000
Reappropriation (P.L. 99-88)......	17,700,000	---	---
Sequester order...................	---	-19,575,000	---
Proposed rescission...............	---	-180,882,000	---
Subtotal, adjusted appropriation..	496,783,000	254,781,000	261,578,000
Comparative transfers from:			
Compensatory Education for the Disadvantaged for:			
High school equivalency program...	6,300,000	--- 1/	---
College assistance migrant program	1,200,000	--- 2/	---
Subtotal, adjusted budget authority.	504,283,000	254,781,000	261,578,000
Recovery of prior year obligations..	3,457,000	---	---
Unobligated balance, start of year......................	14,960,000	48,228,000	21,904,000
Unobligated balance, end of year....	-48,228,000	-21,904,000	-44,141,000
Unobligated balance, lapsing........	-17,700,000 3/	---	---
Total obligations...............	456,772,000 4/5/	281,105,000	238,341,000

1/ Reflects a sequester of $271,000 and a rescission of $6,029,000.

2/ Reflects a sequester of $52,000 and a rescission of $1,148,000.

3/ Reflects $15,200,000 of original budget authority for Endowment grants and $2,500,000 of original budget authority for National graduate fellowships that expired at the end of 1985. These amounts were reappropriated in 1985 and are available for obligation in 1986.

4/ Excludes a reimbusable amount of $760,000 in 1985 for debt collection activities for Law enforcement education and Cuban loans, which were financed in Higher Education.

5/ Total obligations for 1985 include $2,650,751 contingently obligated under court order.

Higher Education

Budget Authority by Activity

	1986 Appropriation	1986 Available After Sequestering	1986 Revised	1987
1. Aid for institutional development....	$141,208,000	$135,136,000	$135,136,000	$141,208,000
2. Aid for disadvantaged students:				
a. Postsecondary outreach:				
1. Postsecondary outreach.......	---	---	---	42,470,000
2. Special programs outreach....	106,286,000	98,702,000	47,363,600	---
3. High school equivalency program....................	6,300,000	6,029,000	---	---
b. Special college services:				
1. Special college services.....	---	---	---	39,900,000
2. Special services in college..	70,084,000	70,084,000	35,006,400	---
3. College assistance migrant program....................	1,200,000	1,148,000	---	---
Subtotal.....................	183,870,000	175,963,000	82,370,000	82,370,000
3. Veterans' cost-of-instruction........	3,000,000	2,871,000	---	---
4. Program development:				
a. Institutions science improvement.....................	5,000,000	4,785,000	4,785,000	5,000,000
b. Fund for the Improvement of Postsecondary Education........	12,710,000	12,163,000	10,000,000	10,000,000
c. International education and foreign language studies.......	32,050,000	30,671,000	---	---
d. Cooperative education............	14,400,000	13,781,000	---	---
Subtotal.....................	64,160,000	61,400,000	14,785,000	15,000,000

Higher Education

Budget Authority by Activity -- Continued

	1986 Appropriation	1986 Available After Sequestering	1986 Revised	1987
5. Academic facilities:				
a. Interest subsidy grants....	$23,500,000	$22,490,000	$22,490,000	$23,000,000
b. Academic facilities construction grants............	10,000,000	9,570,000	---	---
Subtotal.....................	33,500,000	32,060,000	22,490,000	23,000,000
6. Graduate programs:				
a. Graduate and professional opportunity fellowships........	11,750,000	11,245,000	---	---
b. Public service fellowships.......	2,500,000	2,393,000	---	---
c. National graduate fellowships....	2,500,000	2,393,000	---	---
d. Legal training for the disadvantaged..................	1,500,000	1,435,000	---	---
e. Law school clinical experience...	1,500,000	1,435,000	---	---
Subtotal.....................	19,750,000	18,901,000	---	---
7. Carl D. Perkins scholarships.........	10,000,000	9,570,000	---	---
8. Special grants:				
a. Assistance to Guam...............	500,000	479,000	---	---
b. Robert A. Taft Institute of Government..................	750,000	718,000	---	---
c. Center for excellence in education......................	6,000,000	5,742,000	---	---
Subtotal..................	7,250,000	6,939,000	---	---
Total......................	462,738,000	442,840,000	254,781,000	261,578,000

Higher Education

Budget Authority by Activity — Continued

NOTES

2. Aid for disadvantaged students consolidates the Special programs for the disadvantaged (TRIO) program which includes Talent search, Upward bound, Special services for disadvantaged students, Educational opportunity centers, and Staff training. The High school equivalency program for migrants and the College assistance migrant program are transferred from the Compensatory Education for the Disadvantaged account. Total appropriation for Special programs for the disadvantaged (TRIO) in FY 1986 was $176,370,000. The FY 1986 revised request for TRIO is $82,370,000 which reflects a sequester of $7,584,000 and a rescission of $86,416,000.

2.a. Reflects a proposed rescission of $51,338,400 for Special programs outreach (which includes Talent search, Upward bound, Educational opportunity centers and Staff training from Special programs for the disadvantaged (TRIO)), and a proposed rescission of $6,029,000 for the High school equivalency program.

2.b. Reflects a proposed rescission of $35,077,600 for Special services in college (which includes Special services for disadvantaged students from Special programs for the disadvantaged (TRIO)), and a proposed rescission of $1,148,000 for the College assistance migrant program.

3. Reflects a proposed rescission of $2,871,000 for Veterans' cost-of-instruction.

4.b. Reflects a proposed rescission of $2,163,000 for the Fund for the Improvement of Postsecondary Education.

4.c. Reflects a proposed rescission of $30,671,000 for International education and foreign language studies.

4.d. Reflects a proposed rescission of $13,781,000 for Cooperative education.

5.b. Reflects a proposed rescission of $9,570,000 for Academic facilities construction grants.

Higher Education

Budget Authority by Activity -- Continued

NOTES

6. Reflects a proposed rescission totalling $18,901,000 for Graduate programs, of which $11,245,000 is for Graduate and professional opportunity fellowships, $2,393,000 is for Public service fellowships, $2,393,000 is for National graduate fellowships, $1,435,000 is for Legal training for the disadvantaged, and $1,435,000 is for Law school clinical experience.

7. Reflects a proposed rescission of $9,570,000 for Carl D. Perkins scholarships.

8. Reflects a proposed rescission totalling $6,939,000 for Special grants, of which $479,000 is for Assistance to Guam, $718,000 is for the Robert A. Taft Institute of Government, and $5,742,000 is for the Center for excellence in education.

Higher Education

Budget Authority by Object

	1985	1986	1987
Other services................	$577,000	---	---
Grants, subsidies, and contributions..............	503,706,000[1]	254,781,000[2]	$261,578,000
Total budget authority by object..............	504,283,000[3]	254,781,000	261,578,000

1/ Includes $17,700,000 of original budget authority that expired at the end of FY 1985. This amount was reappropriated in 1985 (reflected in Total budget authority by object for 1985) and will be available for obligation in FY 1986 under Grants, subsidies, and contributions (reflected in Obligations for 1986).

2/ Reflects a reduction of $19,898,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177 and a proposed rescission of $188,059,000.

3/ Excludes reimbursable amounts for Other services of $760,000 in 1985.

Higher Education

Summary of Changes

1986 Estimate	$462,738,000
1986 Sequester order	-19,898,000
1986 Proposed rescission	-188,059,000
Total estimated budget authority	254,781,000
1987 Request	261,578,000
Net change	+6,797,000
(Obligations)	(-41,766,000)

	1986 Base[1]	Change from Base
Increases:		
Built-in:		
1. Increase in subsidy costs for Interest subsidy grants due to the unavailability of unobligated balances to help meet 1987 costs	$22,490,000	+$510,000
Program:		
1. Increase in funds for Title III to continue funding at the 1986 appropriation level	135,136,000	+6,072,000
2. Increase in funds for institutions science improvement to continue funding at the 1986 appropriation level	4,785,000	+215,000
Net change		+6,797,000
(Obligations)		(-41,766,000)

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[1] Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Higher Education

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. Aid for institutional development	HEA, Title III	$270,000,000 1/2/	To be determined
2. Aid for disadvantaged students:			
a. Postsecondary outreach	Proposed legislation	---	To be determined
b. Special college services	Proposed legislation	---	To be determined
c. Special programs for the disadvantaged	HEA, Title IV, Part A, Subpart 4	Indefinite 2/	---
d. High school equivalency program	HEA, Title IV, Part A, Subpart 5	18,000,000 2/3/	---
e. College assistance migrant program	HEA, Title IV, Part A, Subpart 5	--- 2/3/	---
3. Veterans' cost-of-instruction	HEA, Title IV, Part A, Subpart 7, Section 420A	Indefinite 2/	---
4. Program development:			
a. Minority institutions science improvement	General Education Provisions Act, Section 406C	5,000,000	$5,000,000 4/
b. Fund for the Improvement of Postsecondary Education	HEA, Title X, Part A	50,000,000 2/	To be determined
c. International education and foreign language studies:			
Domestic programs	HEA, Title VI	87,500,000 2/	---
Overseas programs	Mutual Educational and Cultural Exchange Act of 1961, Section 102(b)(6)	Indefinite	Indefinite

Higher Education

Authorizing Legislation -- Continued

Activity	Legislative Citation	1986 Authorized	1987 Authorized
d. Cooperative education	HEA, Title VIII	$35,000,000 2/	---
5. Academic facilities:			
a. Interest subsidy grants	HEA, Title VII, Part C, Section 734	Indefinite 2/	To be determined
b. Academic facilities construction grants	HEA, Title VII, Part B	80,000,000 2/	---
6. Graduate programs:			
a. Graduate and professional opportunity fellowships	HEA, Title IX, Part B	Indefinite 2/	---
b. Public service fellowships	HEA, Title IX, Part B	Indefinite 2/	---
c. National graduate fellowships	HEA, Title IX, Part C	Indefinite 2/	---
d. Legal training for the disadvantaged	HEA, Title IX, Part D	10,000,000 2/	---
e. Law school clinical experience	HEA, Title IX, Part E; and Public Law 98-312	2,000,000	$2,000,000
7. Carl D. Perkins scholarships	HEA, Title V, Part E	20,000,000	21,000,000
8. Special grants:			
a. Assistance to Guam	HEA, Title XII, Section 1204(c)	2,000,000 2/	---
b. Robert A. Taft Institute of Government	Education Amendments of 1980, Title XIII, Part H, Subpart 1	750,000 2/	---
c. Center for excellence in education	Human Services Reauthorization Act, Title V	6,000,000 5/	---

Higher Education

Authorizing Legislation -- Continued

Activity	Legislative Citation	1986 Authorized	1987 Authorized
Unfunded authorizations:			
Education outreach programs	HEA, Title I, Part B	$60,000,000[2]	---
Federal merit scholarships	HEA, Title IV, Part A, Subpart 6	8,000,000	$8,000,000
Cost-of-education payments	HEA, Title IV, Part A, Subpart 7, Section 420	Indefinite[2]	---
Training for higher education personnel	HEA, Title V, Part B, Section 533	55,000,000[2][6]	---
National talented teacher fellowships	HEA, Title V, Part F	1,000,000	2,000,000
Undergraduate facilities construction grants	HEA, Title VII, Part A	100,000,000[2]	---
Graduate institutional grant program	HEA, Title IX, Part A	50,000,000[2]	---
Mining fellowships	HEA, Title IX, Part B	Indefinite[2]	---
Urban university grant program	HEA, Title XI	55,000,000[2]	---
Law enforcement education	Omnibus Crime Control and Safe Streets Act of 1968; Law Enforcement Education Assistance Reform Act of 1979	Indefinite	Indefinite
Total definite authorizations.....		915,250,000	38,000,000

Higher Education

Authorizing Legislation -- Continued

1/ A total of $270,000,000 is authorized, of which $220,000,000 is authorized for Parts A and B--Strengthening institutions, Institutions with special needs, and Part C--Challenge grants, and $50,000,000 is authorized for Part C--Endowment grants.

2/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

3/ A total of $18,000,000 is authorized to carry out the programs of the subpart which includes secondary and postsecondary high school equivalency programs and college assistance migrant program projects.

4/ The authorizing legislation will expire at the end of fiscal year 1986. However, a one-year extension is authorized by section 414 of the General Education Provisions Act.

5/ One-time only authorization.

6/ A total of $55,000,000 is authorized for all HEA, Title V, Part B activities, including Teacher centers (which was repealed effective October 1, 1982) and Training for higher education personnel.

Higher Education

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation 1/
1978	$321,556,000	$409,350,000	$364,750,000	$385,500,000
1979	416,250,000	431,250,000	435,250,000	434,250,000
1980	359,160,000	413,080,000	348,380,000	390,230,000
1981	379,374,000	418,563,000	379,574,000	394,593,000
1982	334,535,000	387,703,000	372,300,000	393,023,000
1983	268,552,000	400,990,000	383,940,000	422,176,000
1984	204,716,000	404,270,000	441,566,000	416,001,000 2/
1985	252,071,000	459,391,000	449,215,000	479,083,000
1985 Reappropriation 3/	15,200,000	17,700,000	17,700,000	17,700,000
1986	252,078,000	450,238,000	438,646,000	455,238,000 4/
1986 Sequester	-19,575,000			
1986 Proposed Rescission	-180,882,000			
1987	261,578,000			

1/ Reflects enacted supplementals, rescissions and reappropriations.

2/ Excludes $5,000,000 for Supplemental opportunity grants and $5,000,000 for Work-study that were inadvertently appropriated under Higher Education in Public Law 98-151.

3/ The Department's 1985 reappropriation request only included supplementary language to extend the availability of $15,200,000 for the Title III endowment grant program. Although not part of the Department's formal request, the Congress also approved supplementary language to extend the availability of $2,500,000 for the National graduate fellows program.

4/ Includes $5,000,000 for Minority institutions science improvement which was appropriated under a continuing resolution (P.L. 99-190).

Higher Education

Significant Items in Congressional Appropriations Reports

Item	Action taken or to be taken
1986 House Report	
Preserving Autonomy of the Fund for the Improvement of Postsecondary Education	
The Committee directs the Department to preserve the Fund's autonomy in determining grant awards.	The Department will continue to respect and preserve the autonomy of FIPSE.
Establishing Priorities under Academic Facilities Construction Grants	
The Committee intends that, in establishing priorities under this program, the Secretary shall give attention to geographical distribution in addition to the need criteria set forth in the authorizing legislation.	Some geographic distribution is assured because of the limit on per State awards.
Consideration of Requests Under Academic Facilities Construction Grants	
The Committee urges the Secretary to give every consideration to the requests from Eastern Michigan University and Rochester Institute of Technology for funding under this program.	All applications received under this program competition will be evaluated and ranked based on criteria contained in current law.

Higher Education

Significant Items in Congressional Appropriations Reports -- Continued

Item	Action taken or to be taken
1986 Senate Report	
Respecting the Autonomy of the Fund for the Improvement of Postsecondary Education	
The Committee directs the Secretary to respect the autonomy of the Fund, particularly as it concerns the establishment of research priorities.	The Department will continue to respect and preserve the autonomy of FIPSE.
Staffing Pattern at the Fund for the Improvement of Postsecondary Education	
The Secretary is to report to the Committee on the staffing pattern at FIPSE.	The Department has been working to resolve the staffing problems which concern the Committee, and will report to the Committee as requested.
Regulations for the Federal Merit Scholarship Program	
The Committee directs the Department to develop regulations to implement this program no later than March 1, 1986.	This program can be administered without program-specific regulations. Given that no funds were appropriated for this program, the Department does not intend to develop regulations at this time.
Item	
1986 Conference Report	
Grant Application Process for Academic Facilities Construction Grants	
The Conferees direct the Department to publish regulations for this program within 60 days and to obligate fiscal year 1985 funds by no later than September 30, 1986.	Regulations for this program are in final stages of development and should be published shortly. The Department intends to obligate all fiscal year 1985 funds by September 30, 1986.

Higher Education

Account Summary

	1985	1986	1987
1. Aid for institutional development...	$156,408,000 1/	$135,136,000	$141,208,000 2/
2. Aid for disadvantaged students:			
a. Postsecondary outreach:			
1. Postsecondary outreach......	---	---	42,470,000 2/
2. Special programs outreach...	104,737,000	47,363,600	---
3. High school equivalency program..................	6,300,000	--- 3/	---
b. Special college services:			
1. Special college services....	---	---	39,900,000 2/
2. Special services in college.	70,203,000	35,006,400 3/	---
3. College assistance migrant program..................	1,200,000	--- 3/	---
Subtotal..................	182,440,000	82,370,000 3/	82,370,000 2/
3. Veterans' cost-of-instruction.......	3,000,000	--- 3/	---
4. Program development:			
a. Institutions science improvement..................	5,000,000	4,785,000	5,000,000 2/
b. Fund for the Improvement of Postsecondary Education.......	12,710,000	10,000,000 3/	10,000,000 2/
c. International education and foreign language studies......	32,050,000	3/ --- 3/	---
d. Cooperative education...........	14,400,000	---	---
Subtotal..................	64,160,000	14,785,000 3/	15,000,000 2/
5. Academic facilities:			
a. Interest subsidy grants.........	18,775,000	22,490,000	23,000,000
b. Academic facilities construction grants...........	28,000,000	--- 3/	---
Subtotal..................	46,775,000	22,490,000 3/	23,000,000
6. Graduate programs:			
a. Graduate and professional opportunity fellowships.......	11,750,000	--- 3/	---
b. Public service fellowships......	2,500,000	--- 3/	---
c. National graduate fellowships...	5,000,000 4/	--- 3/	---
d. Legal training for the disadvantaged.................	1,500,000	--- 3/	---
e. Law school clinical experience..	1,500,000	--- 3/	---
Subtotal..................	22,250,000 4/	--- 3/	---
7. Carl D. Perkins scholarships........	---	--- 3/	---

Higher Education

Account Summary -- Continued

	1985	1986	1987
8. Special grants:			
a. Assistance to Guam..............	$500,000	---3/	---
b. Land-grant endowments for American Samoa and Micronesia.	6,000,000	---	---
c. Robert A. Taft Institute of Government..................	750,000	---3/	---
d. Special higher education projects......................	22,000,000	---	---
c. Center for excellence in education.....................	---	--- 3/	---
Subtotal.................	29,250,000	--- 3/	---
Total budget authority....	504,283,000	$254,781,000 3/ 5/	$261,578,000 2/

1/ Includes $15,200,000 of FY 1985 budget authority that was reappropriated in 1985 and made available for obligation until the end of FY 1986.

2/ Request pending submission of proposed authorizing legislation.

3/ Reflects a proposed rescission totalling $188,059,000, of which $51,338,400 is for Special programs outreach, $6,029,000 is for the High school equivalency program for migrants, $35,077,600 is for Special services in college, $1,148,000 is for the College assistance migrant program, $2,871,000 is for Veterans' cost-of-instruction, $2,163,000 is for the Fund for the Improvement of Postsecondary Education, $20,671,000 is for International education and foreign language studies, $13,781,000 is for Cooperative education, $9,570,000 is for Academic facilities construction grants, $11,245,000 is for Graduate and professional opportunity fellowships, $2,393,000 is for Public service fellowships, $2,393,000 is for National graduate fellowships, $1,435,000 is for Legal training for the disadvantaged, $1,435,000 is for Law school clinical experience, $9,570,000 is for Carl D. Perkins scholarships, $479,000 is for Assistance to Guam, $718,000 is for the Robert A. Taft Institute of Government, and $5,742,000 is for the Center for excellence in education.

4/ Includes $2,500,000 of FY 1985 budget authority that was reappropriated in 1985 and made available for obligation until December 31, 1985.

5/ Reflects a reduction of $19,898,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

The Department is responsible for administering a variety of institutional aid programs that address postsecondary educational opportunity for poor and disadvantaged individuals. A number of these programs are narrowly categorical, poorly structured to carry out their objectives, fail to encourage institutions to seek funds from non-Federal sources, or suffer from other design flaws. As part of its FY 1987 budget and legislative program, the Department proposes to repeal some of these programs, to consolidate others with similar purposes, to increase, where possible, local flexibility and discretion, to simplify program administration, to reduce costs and paperwork burden, and to encourage grantees to become independent and self-sufficient.

The Department proposes to refocus and to modify significantly the distribution of funds for Title III of the Higher Education Act, while maintaining the overall dollar level for 1987 at the 1986 enacted level. The proposed changes to the Title III programs would encompass a new program objective and new criteria for institutional eligibility. The new objective is that Federal funds should help eligible institutions develop solid financial bases so that they no longer need annual Title III assistance to survive. As a result, institutions would be able to support developmental and operational activities on their own without annual Federal assistance. Funds would also be better focused on institutions serving substantial percentages of disadvantaged students which lack the financial bases necessary to continue providing such services.

This objective would be implemented under proposed reauthorizing legislation which would modify the current Title III Endowment Grant program to better aid those institutions most in need of additional endowment assistance. The budget would include support for a consolidated Development Grant program to ensure a smooth transition for institutions from direct Federal support (which is emphasized under the current programs) to endowment building.

The Administration's commitment to historically black colleges and universities (HBCU's) would be continued by making available to them $45.7 million annually under the reauthorized Title III programs and exempting them from the tightening of eligibility criteria.

In order to assist institutions and agencies in providing poor and disadvantaged individuals with the information and skills needed to make critical academic/career choices and to enroll in postsecondary educational programs, the Department proposes to consolidate five similar outreach authorities (Upward Bound, Talent Search, and Educational Opportunity Centers from Special Programs for the Disadvantaged (TRIO), the Migrant High School Equivalency Program, and the unfunded Continuing Education outreach program authority). The Department believes that the Federal role in this area can be adequately served by a streamlined program funded at about one-half the current level. Reduced funding would also reflect the Department's concern about the lack of strong evidence demonstrating the current programs' effectiveness. The consolidated Postsecondary Outreach program would provide limited funds to institutions and public and private agencies to encourage them to initiate outreach activities and then to continue such services with their own financing.

Higher Education

Account Summary -- Continued

The Department also proposes to continue to assist institutions in providing the counseling and remedial support necessary for disadvantaged college students to complete postsecondary education successfully. As part of this effort, the Department will propose legislation to consolidate the similar College Assistance Migrant Program and Special Services for Disadvantaged Students from Special Programs for the Disadvantaged (TRIO). As with the postsecondary outreach efforts, the new Special College Services program would be funded in fiscal year 1987 at about one-half of the appropriation levels for the current college services programs. Reduced funding would be consistent with the Department's view that the Federal role in this area should be limited to encouraging institutions to assimilate special academic and support services for the poor and disadvantaged in their own operational programs and budgets.

The Fund for the Improvement of Postsecondary Education (FIPSE) has successfully stimulated improvements in postsecondary education through grants to institutions of higher education and public and private agencies to improve the quality of postsecondary education opportunities and to identify educational programs of national significance. The program is cost-effective and represents an appropriate leadership role for the Federal Government--one of stimulating improvements in the quality of postsecondary education in the Nation without intruding on institutional prerogatives. The 1987 budget request would enable the Department to address a number of significant quality issues in postsecondary education.

The 1987 budget request for Interest Subsidy Grants will support continued payment of interest subsidies on the existing portfolio of higher education facilities loans guaranteed under agreements with particular institutions. The Department proposes to repeal the authority to enter into new commitments and retain only those few statutory authorities needed to continue management, servicing and payment of subsidies under existing commitments.

No funds are requested for International Education and Foreign Language Studies. Many of these programs can be supported through philanthropic and other private sector means. Specific Federal-level needs relative to foreign languages and area and international studies can be met adequately through programs at other Federal agencies with substantive interests.

Continued Federal support for Cooperative Education and Law School Clinical Experience is inappropriate given that the soundness of cooperative education and clinical legal education has been demonstrated. It is in the financial interest of institutions and private organizations to support such programs and institutions should be successful in obtaining private sector support. Therefore, funds are not requested for these two activities.

The 1987 budget does not request funds for Veterans' Cost-of-Instruction. This program has outlived its original purpose of assisting postsecondary institutions to provide support services to enrolled Vietnam-era veterans. The enrollment of these veterans has declined dramatically and institutions can support the remaining small number of veterans with traditional institutional service arrangements.

Higher Education

Account Summary -- Continued

The other graduate education activities, including Graduate and Professional Opportunity Fellowships, Public Service Fellowships, National Graduate Fellowships, and Legal Training for the Disadvantaged, are all low-priority, discretionary programs. The 1987 budget request does not include funds for these programs since there are a wide variety of Federal and non-Federal sources of financial support available for graduate and professional study.

The Carl D. Perkins Scholarship program would award scholarships to outstanding high school graduates who are interested in teaching careers at the elementary and secondary education level. Since aid for college students is currently available under our financial assistance programs, this program is proposed for termination in keeping with the Administration's position that narrowly focused categorical student assistance programs are not the preferred way to provide student financial assistance.

The 1987 budget request does not include funds for Academic Facilities Construction Grants, Assistance to Guam, the Robert A. Taft Institute of Government, and the Center for Excellence in Education. These activities are all low priority and nonessential, especially since the fundamental responsibility for postsecondary institutional support rests with the institutions themselves, State and local governments, taxpayers at those levels, and private sector users and beneficiaries.

1. Aid for institutional development
   (Higher Education Act of 1965, Title III)

1987 Authorization: To be determined 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$141,208,000	$135,136,000	$135,136,000	$141,208,000	+$6,072,000

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986. New authorizing legislation is proposed.

Purpose and Method of Operation

The Aid for Institutional Development programs (commonly referred to as the Title III programs) provide financial assistance to eligible institutions to help solve problems that threaten their ability to survive and to stabilize their management and fiscal operations. An important objective of this program is for participating institutions to "graduate" from Title III assistance and become financially self-sufficient.

Discretionary grants are awarded to institutions of higher education (IHEs) which have limited financial resources and which serve significant percentages of low-income students. Institutions may use their Title III funds to plan, develop, and implement activities for faculty and academic program development, for administrative management, and for the acquisition of equipment to be used in strengthening fiscal management, academic programs, and student services.

Most of the Nation's historically Black colleges and universities (HBCUs) have been assisted by these programs. Since 1984, the annual appropriation bill has required that $45.741 million of the total Title III appropriation must be awarded to HBCUs.

To participate in the Title III programs, an institution must award a degree, must provide an educational program legally authorized by the State in which it is located, and must have been accredited for five academic years or be making reasonable progress toward accreditation. The statute provides for a waiver of the five-year accreditation requirement for institutions that serve either substantial numbers of American Indian, Spanish-speaking, Black or low-income populations, or that serve the population of rural areas.

Institutions must apply for eligibility status specific to each program. The eligibility criteria are based, in varying degrees, on an institution's comparative standing with similar institutions in terms of having (1) low average educational and general (E&G) expenditures per full-time equivalent (FTE) undergraduate student; (2) a substantial percentage of students receiving Pell Grants or other need-based aid under the Title IV programs; and (3) a high percentage of students receiving large awards under the Pell Grant program or other Title IV programs of need-based student assistance.

Purpose and Method of Operation -- Continued

After being designated an eligible institution for purposes of applying for a grant, the institution may submit an application for funds under one or more of the Title III programs. The authorizing legislation establishes four Title III programs which are current funded:

- Strengthening Institutions program (Part A) supports one-year planning grants, one-to-three year renewable grants, and four-to-seven year non-renewable grants. At least 25 percent of the funds allocated to Part A must be used for non-renewable grants and two-year institutions must receive at least 30 percent of the total funds under this program. To be eligible to apply for assistance under Part A, an institution must have low E&G expenditures per FTE undergraduate student, a substantial percentage of Pell Grant recipients, and a relatively high Pell Grant award average.

- Aid to Institutions with Special Needs program (Part B) provides one-to-five year non-renewable grants. Institutions must share 10 percent of their project costs in the third year, 20 percent in the fourth, and 30 percent in the fifth. Historically Black colleges and universities must receive no less than $27,034,000 of the funds allocated to Part B, which may be counted towards meeting the HBCU set-aside required for the whole title. Two-year institutions must receive at least 30 percent of the funds under this program. To be eligible to apply for assistance under Part B, an institution must have low E&G per FTE undergraduate student, a substantial percentage of Title IV need-based aid recipients, and a relatively high need-based aid award average.

- Endowment Grants (Part C), which must be matched dollar-for-dollar, are awarded to eligible institutions to establish or increase institutional endowment funds. The Federal grant and the institution's matching funds (which together make up the endowment corpus) must be invested in low-risk securities such as a federally insured bank savings account or a comparable interest bearing account, certificate of deposit, money market fund, or mutual fund. For a 20-year period after the grant is awarded, institutions may not spend the endowment corpus but may spend one-half of the interest on any institutional expense. Individual grants may not exceed $500,000 or be less than $50,000. Two-year, four-year, or graduate institutions generally must meet the Part A or B eligibility criteria, and may receive up to two endowment grants in any five-year period.

- Challenge Grants (Part C) were awarded to eligible institutions as an incentive to seek alternative sources of funding to attain self-sufficiency. Institutions received one-to-five year, non-renewable grants that had to be matched dollar-for-dollar by the institution. This program will phase-out as the 1983 continuation grants expire at the end of 1987. (Public Law 98-95 amended Title III to require that all Part C funds be allocated to the Endowment Grant program).

Higher Education

1. Aid for institutional development

Accomplishments

Since first funded in 1966 with an appropriation of $5 million, this program has provided over 6,000 grants totaling over $1.6 billion in Federal financial assistance to the Nation's developing colleges and universitites. Characteristically, these institutions are limited in their ability to attract students, engage outstanding faculty, offer diverse curricula, and acquire adequate financial resources. Grants have been made to help them overcome these handicaps and to develop the basic strengths needed to secure financial stability and academic improvements. Title III has helped support institutions providing educational opportunities for many minority, low-income, and disadvantaged students.

Historically Black colleges and universities received 33 percent of the funds appropriated for Title III in 1985, and minority institutions as a group received 45 percent.

1987 Budget Proposal

For Aid for Institutional Development, $141,208,000 is requested. This is $6,072,000 more than the 1986 appropriation after sequestering. The 1987 budget for this activity proposes to continue funding at the 1986 appropriation level. Of the total amount requested for this program, approximately $50,000,000 would be available for endowment grants.

The 1987 budget strategy and reauthorization proposal for Title III is based on the premise that Federal funds should be awarded under Title III to help eligible institutions develop solid financial bases so that they no longer need annual Title III assistance to survive. This solid financial base would enable institutions themselves to support improvements in management, administration, academic programs, and student services, rather than relying on the Federal Government to finance these improvements. The current programs encourage long-term dependence on Federal assistance rather than assisting institutions to achieve self-sufficiency.

Proposed reauthorization legislation would modify institutional eligibility for Title III by focusing funds on institutions which serve substantial numbers of economically disadvantaged individuals and which lack the financial bases necessary for them to continue providing such services. The changes proposed in current eligibility requirements would promote more equal treatment of deserving institutions.

Because the Endowment Grant program is designed to help institutions create solid financial bases to support developmental and operational activities, this objective would be implemented by enhancing the current Endowment Grant program. Specific changes proposed for the Endowment Grant program include:

1987 Budget Proposal -- Continued

- The goal of the Endowment Grant program would be to build, over time, a $10 million endowment corpus for eligible institutions. Annual income from such endowment funds would exceed the average annual development grants under the current Strengthening and Special Needs programs.

- The dollar-for-dollar required match would be changed to a variable match. A two-for-one Federal-to-institutional match would be offered to HBCUs and Trust Territorial Insular Area institutions, and private colleges with less than $6 million in endowment. A one-for-one match would be offered for other private institutions, and a one-for-two match for all public institutions except those covered in the first category. This variable match takes into account the relative differences among institutions in obtaining outside resources, while more appropriately balancing the role of the Federal Government vis-a-vis the States. Maximum limits would be placed on the number of Federal dollars awarded to an institution under each matching category.

- Appropriated funds would be available for obligation for a three-year period, allowing sufficient fundraising time for both initial recipients and alternates.

- Once an institution has a $10 million endowment corpus, it would be allowed to spend 100 percent of its endowment income (instead of the current 50 percent), though the corpus must remain untouched for 20 years.

- Eligibility would be based on the criteria for the consolidated development grant program described below, although recipients of non-renewable grants under current Title III legislation would be grandfathered for eligibility for a three-year period.

In order to assure a smooth transition for institutions from direct to indirect Federal support, the legislative proposal would create a Development Grant Program as the second major component of a reauthorized Title III. This would essentially be a consolidation of the current Strengthening and Special Needs programs, but with an emphasis on funding activities designed to build a healthy financial base. The Developmental Grant Program would offer three funding competitions under which an institution could receive up to six years of development grant assistance:

- One-year planning grants;

- One- to five-year nonrenewable matching grant (not to exceed $400,000 per year and Federal share to decrease annually--100/87/75/62/50 percent);

1987 Budget Proposal — Continued

- one- to three-year renewable grant (not to exceed $200,000 per year with no matching requirement) followed by a one- to three-year nonrenewable grant (not to exceed $200,000 per year with no matching requirement, or not to exceed $400,000 per year with a matching requirement of 23/38/50 percent).

Finally, the proposal would include authority to make continuation awards for all grants made under the current Title III legislation until they expire.

Certain changes in eligibility requirements designed to promote more equal treatment of deserving institutions would also be proposed. Specifically, the proposal would:

- Establish as a basic quantitative criterion the percent of Pell Grant recipients (not award amounts) per FTE enrollment. The present system clearly discriminates against low tuition schools enrolling financially needy students.

- Continue waiver authority for education and general expenses (E&G), and add waiver authority to allow institutions to substitute State/local student aid for Pell aid and to allow institutions charging little or no tuition to substitute students eligible for Pell aid.

Additional legislative changes to the Title III programs would enhance the Federal commitment to historically black colleges and universitites (HBCUs) without creating a separate entitlement program for them which would be inconsistent with the long-term objective of creating financially viable institutions capable of surviving on their own. These changes include waiving the quantitative eligibility criteria for all accredited HBCUs, allowing HBCUs to continue to receive developmental grant assistance after completion of a nonrenewable grant, and, to help HBCUs build a large endowment quickly, making them eligible for larger endowment grants and more favorable matching terms.

The Administration's commitment to HBCUs would continue to make available to them annually $43.7 million under the proposed Title III programs, including the Endowment Grant program, the consolidated development grant program, and current Title III program continuation grants. HBCUs would receive the majority of their funding under the enhanced Endowment Grant program.

Higher Education

1. Aid for institutional development

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Development Grants (Proposed legislation)				
Number of grants	2/ —	—	—	100
Total allocation	—	—	—	$26,468,000
Endowment Grants:				
Number of grants	51	57	57	80
Total allocation	$16,144,000	1/$22,210,000	$22,210,000	$50,000,000
Strengthening Institutions (Part A):				
Number of grants	311	320	320	205
Total allocation	$65,604,000	$63,067,000	$63,067,000	$43,175,000
Institutions with Special Needs (Part B):				
Number of grants	163	144	144	67
Total allocation	$53,604,000	$45,159,000	$45,159,000	$21,350,000
Challenge Grants:				
Number of projects	22	15	15	1
Total allocation	$5,856,000	$4,700,000	$4,700,000	$215,000
Total—all Title III:				
Number of grants	547	536	536	453
Total budget authority	$141,208,000	$135,136,000	$135,136,000	$141,208,000

1/ Includes the obligations associated with the 1985 reappropriation of $15,200,000 for the Endowment Grant program. These funds will actually be obligated in 1986.

2/ The legislative proposal would consolidate Strengthening and Special Needs Grants but would authorize continuation grants under these current programs and Challenge Grants until they expire.

2. Aid for disadvantaged students: a. Postsecondary outreach (Proposed legislation)

1987 Authorization: To be determined

Budget Authority (in thousands):

	1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
(1) Postsecondary outreach.....	—	—	—	$42,470,000	+$42,470,000
(2) Special programs outreach 1/..	$106,286,000	$98,702,000	$47,363,600	—	-47,363,600
(3) High school equivalency program for migrants.....	6,300,000	6,029,000	—	—	—
Total........	112,586,000	104,731,000	47,363,600	42,470,000	-4,893,600

1/ Special programs outreach includes Talent Search, Upward Bound, Educational Opportunity Centers and Staff Training from Special Programs for the Disadvantaged (TRIO).

Purpose and Method of Operation

The Special Programs for the Disadvantaged, commonly referred to as the TRIO programs, provide services to promote access to and retention in postsecondary institutions for individuals from disadvantaged backgrounds. The Secretary is authorized to make grants to, and enter into contracts with, institutions of higher education, public and private agencies and organizations, and, in exceptional circumstances, secondary schools. Participants must be low-income individuals and/or first generation college students.

There are four programs authorized under Special Programs for the Disadvantaged which provide postsecondary outreach services:

- Upward Bound projects provide intensive academic assistance to high school students to generate the skills and motivation needed to pursue successfully a program of education beyond high school. Services may include Saturday classes, tutorial/counseling sessions, cultural enrichment activities, or a summer campus residential program.

- Talent Search projects identify and counsel eligible persons aged 12-27 years, usually high school students and drop-outs, regarding opportunities for completing secondary school and enrolling in postsecondary educational programs. Project staff also assist participants in applying for admission and financial aid.

Purpose and Method of Operation -- Continued

- Educational Opportunity Centers (EOC) provide information on available financial and academic assistance to adults aged 19 or above in low-income areas who wish to pursue a postsecondary educational program. The centers also help participants apply for admission and financial aid. The Department awards cost-sharing grants, (75 percent Federal and 25 percent grantee), to educational institutions and public and private organizations.

- Staff Training projects provide training to staff and leadership personnel employed in, or preparing for employment in, projects under the Special Programs. The grants, which are awarded to institutions of higher education, provide support for conferences, seminars, internships, and workshops.

The High School Equivalency Program (HEP), which is transferred from the Compensatory Education for the Disadvantaged account, provides grants to institutions of higher education to assist migrant and seasonal farmworkers beyond the age of compulsory school attendance to complete the courses necessary to receive a high school diploma or its equivalent.

Colleges and universities participating in HEP provide the outreach, teaching, counseling, and placement services necessary to recruit and serve eligible migrant dropouts, aged 17-24, who wish to obtain a high school equivalency certificate and subsequent placement in a college or university, enter a job-training program, join the military, or seek full-time employment. Participants receive room and board and a stipend for personal expenses. Students live on a college or university campus and can use the institution's facilities. They attend at least 30 hours of class a week in the subjects covered by the General Education Development examination and receive additional tutoring if necessary. The institution also provides career and personal counseling, as well as placement assistance.

Accomplishments

For the 1985-86 school year, Upward Bound is serving an estimated 32,600 students at 422 projects, Talent Search is serving an estimated 190,800 students at 167 projects, EOC is serving an estimated 104,300 students at 33 projects, and Staff Training is serving an estimated 1,019 TRIO staff members at 10 projects.

For the same time period, HEP is serving an estimated 2,900 students at 22 institutions of higher education. Based on program records, HEP projects use about 25 percent of their Federal funds to provide instructional services; 17 percent for student room and board; 9 percent for stipends; 8 percent for counseling services; 27 percent to administer the program; and 14 percent for student services.

2. Aid for disadvantaged students: a. Postsecondary outreach

1987 Budget Proposal

For Postsecondary Outreach, $42,470,000 is requested. This is $4,893,600 less than the 1986 revised estimate for the consolidated programs.

The 1987 budget request is based on the premise that disadvantaged persons lack information and support networks that are crucial to assuring access to postsecondary education. Disadvantaged individuals need help, first, to understand the advantages, the availability, the offerings, the requirements, and the nature of a college education. Secondly, they need help in preparing academically for a postsecondary education.

Limited Federal support is necessary to encourage institutions and other agencies to provide special services for the disadvantaged. Such services should include: academic instruction and tutoring, academic and personal counseling, and admissions and financial counseling. These activities are currently supported at the Federal level under five costly, complex, and duplicative postsecondary outreach programs.

The current Federal approach to supporting postsecondary outreach efforts is administratively burdensome for the Department, as well as for participating institutions of higher education, and public and private agencies. They provide very little flexibility for the grantee since each program targets a particular group and has different program requirements, including different institutional eligibility and participant eligibility requirements. Furthermore, most of the programs are structured in such a manner that the same institutions tend to be funded year after year with Federal funds continually replacing institutional effort and affecting educational services at only a limited number of institutions. Some of the programs are quite costly per participant while others are less expensive.

The Department proposes to consolidate the current postsecondary outreach programs including the Continuing Education Outreach Programs, Upward Bound, Talent Search, Educational Opportunity Centers, and Migrant High School Equivalency Program. These programs each focus on a particular group of disadvantaged individuals, but all basically provide similar services. The programs are structured so that some have a more intensive academic focus, while others emphasize admissions and financial counseling.

The proposal calls for a single discretionary program authorizing grants in support of outreach efforts which would increase opportunities for the disadvantaged to access and complete postsecondary education. The consolidated program would embody most of the activities authorized under the current programs, allowing grantees to determine the intensity of the services offered by their projects. Eligibility for the consolidated program would include institutions of higher education and public and private agencies and organizations.

2. Aid for disadvantaged students: a. Postsecondary outreach

1987 Budget Proposal -- Continued

The new proposed outreach program would offer nonrenewable, five-year grants to institutions of higher education or non-profit organizations to build their capacity to provide academic counseling and services, and to disseminate financial aid information to disadvantaged persons of all ages who are not currently enrolled in postsecondary institutions. Grantees would be required to pay an increasing share of project costs in the third, fourth, and fifth grant years, and to graduate from Federal assistance. Grant selection criteria would emphasize the potential of applicant organizations to serve large numbers of disadvantaged individuals.

Two funding competitions would be authorized under the proposed Postsecondary Outreach program. Intensive academic services projects would provide activities similar to those provided under the current Upward Bound and High School Equivalency programs. Basic outreach projects would provide activities similar to the current Talent Search and Educational Opportunity Centers projects. Current projects under Special Programs Outreach could be continued under the proposed legislation.

This proposal would give institutions and agencies the flexibility to provide services and information to disadvantaged individuals without requiring a separate program for each disadvantaged group. Thus, it would be less burdensome and less intrusive into the affairs of institutions receiving grants. While improving access opportunities for a greater number of disadvantaged individuals, a consolidated postsecondary outreach program would be more cost-efficient.

Although the 1987 request level is less than one-half the 1986 appropriation, the proposed legislative changes to require cost-sharing and graduation would allow Federal funds to initiate programs in institutions in other parts of the country. This should eventually result in more poor and disadvantaged individuals receiving services at more institutions and agencies nationwide. Institutions and agencies would be required to increasingly share the costs of their projects and to graduate from Federal support. Different institutions would receive grants in 1987 than currently receive annual TRIO and Migrant grants. Institutions and agencies that have become dependent on annual Federal aid under the current programs would be encouraged to finance the costs of their programs. The actual number of disadvantaged individuals receiving services financed solely by institutions and agencies should increase. Eventually, more students would be served than are served by projects financed by the current TRIO and Migrant programs.

The impact data which follow indicate significant declines in the number of participants. These numbers, however, represent the maximum change that would occur in the number of participants. The actual decline is likely to be much less since grantees may reduce the level of services rather than the number of participants, or substitute non-Federal funds for the Federal funds currently supporting these activities.

Higher Education

2. Aid for disadvantaged students: a. Postsecondary outreach

	1985	1986 after Sequestering	1986 Revised	1987
Impact Data				
Postsecondary Outreach (Proposed)				
Intensive academic awards	—	—	—	200
Available funds	—	—	—	$28,000,000
Average grant award	—	—	—	$140,000
Number of participants	—	—	—	15,000
Avg. Fed. cost/participant	—	—	—	$1,850
Basic outreach awards	—	—	—	145
Available funds	—	—	—	$14,470,000
Average grant award	—	—	—	$100,000
Number of participants	—	—	—	180,000
Avg. Fed. cost/participant	—	—	—	$80
Upward Bound:				
Available funds	$73,708,838	$67,762,120	$32,402,600	—
Number of grant awards	421	383	184	—
Average grant award	$175,080	$176,000	$176,000	—
Number of participants	32,485	29,750	13,800	—
Avg. Fed. cost/participant	$2,269	$2,278	$2,348	—
Talent Search:				
Available funds	$20,730,685	$20,730,685	$10,354,500	—
Number of grant awards	177	177	177	—
Average grant award	$117,123	$117,123	$58,500	—
Number of participants	195,988	195,988	98,000	—
Avg. Fed. cost/participant	$106	$106	$106	—
Educational Opportunity Centers (EOC):				
Available funds	$9,209,531	$9,209,531	$4,606,500	—
Number of grant awards	37	37	37	—
Average grant award	$248,906	$248,906	$124,500	—
Number of participants	106,250	106,250	53,000	—
Avg. Fed. cost/participant	$78	$87	$87	—
Staff Training:				
Available funds	$1,088,300	$1,000,000	—	—
Number of grant awards	11	10	—	—
Average grant award	$98,936	$100,000	—	—
Number of participants	1,100	1,100	—	—
Avg. Fed. cost/participant	$989	$910	—	—

2. Aid for disadvantaged students: a. Postsecondary outreach

	1985	1986 after Sequestering	1986 Revised	1987
Impact Data — Continued				
HEP				
Available funds	$6,300,000	$6,029,000	—	—
Number of grant awards	22	21	—	—
Average grant award	$286,364	$251,200	—	—
Number of participants	2,800	2,753	—	—
Avg. Fed. cost/participant	$2,250	$2,190	—	—
Total grant awards	668	628	398	345
Total number of participants	338,073	335,841	164,800	195,000
Total budget authority	$111,037,354	$104,731,336	$47,363,600	$42,470,000

2. Aid for disadvantaged students: b. Special college services (Proposed legislation)

1987 Authorization: To be determined

Budget Authority (in thousands):

	1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
(1) Special college services.....	—	—	—	$39,900,000	+$39,900,000
(2) Special services in college 1/..	$70,084,000	$70,084,000	$35,006,400	—	-35,006,400
(3) College assistance migrant program......	1,200,000	1,148,000	—	—	—
Total........	71,284,000	71,232,000	35,006,400	39,900,000	+4,893,600

1/ Special Services in College includes Special Services for Disadvantaged Students from Special Programs for the Disadvantaged (TRIO).

Purpose and Method of Operation

Special Services for Disadvantaged Students, one of the TRIO programs, provides services to promote retention in postsecondary institutions for individuals from disadvantaged backgrounds. The Secretary is authorized to make grants to, and enter into contracts with, institutions of higher education, and public and private agencies and organizations. Participants must be low-income individuals and/or first generation college students, or physically handicapped.

Special Services projects provide supportive services to postsecondary students from disadvantaged backgrounds who have a need for academic support to successfully complete their education. These services include: remediation, academic counseling and guidance, tutorial services, personal counseling, career counseling, admission and financial counseling for graduate and professional programs, and activities in the preceding areas for students of limited English proficiency.

The College Assistance Migrant Program (CAMP), which is transferred from the Compensatory Education for the Disadvantaged account, assists migrant and seasonal farmworkers enrolled as first-year undergraduates to made the transition from secondary to postsecondary education and to complete their first year of college successfully. High School Equivalency Program graduates and eligible graduates of other high school equivalency programs may participate in CAMP. Participants receive tuition scholarships and a stipend for personal expenses. The program also provides tutoring and counseling services and assists students in obtaining grants, loans, and work study arrangements to cover the full cost of the remaining three undergraduate years.

Accomplishments

For the 1985-86 school year, Special Services is serving an estimated 154,000 students at 663 institutions of higher education.

CAMP is serving about 400 students at six institutions of higher education in the same period. CAMP projects use about 16 percent of their funding to support instructional services; 22 percent for stipends; 24 percent to administer the program; 25 percent for student support services; 10 percent for counseling services; and 3 percent for student room and board.

1987 Budget Proposal

For Special College Services, $39,900,000 is requested. This is $4,893,600 more than the 1986 revised estimate for the consolidated programs.

The Department proposes to consolidate the Special Services for Disadvantaged Students Program and the College Assistance Migrant Program. This would be consistent with the proposed consolidation of the postsecondary outreach programs.

The current Federal approach to supporting academic and support services for poor and disadvantaged individuals is administratively burdensome for participating institutions of higher education, as well as for the Department. The grantees have very little flexibility since each program focuses on a particular population and has different institutional eligibility and participant eligibility program requirements. Moreover, both of the programs are structured in such a manner that the same institutions tend to be supported year after year with Federal funds effectively replacing institutional effort. This has resulted in Federal dollars affecting educational services at only a limited number of institutions for a limited number of poor and disadvantaged individuals.

Rather than annually subsidizing special college services at the same institutions, the Federal role in providing these types of programs should be limited to supporting programs which institutions would then continue with their own funds. At the same time, institutions should have the flexibility to direct such programs to all the poor and disadvantaged in their areas. The fiscal year 1987 budget proposal and reauthorization proposal for Special College Services would accomplish these objectives.

The new Special College Services program would offer nonrenewable, five-year grants to institutions of higher education to build their capacity to provide supportive services to postsecondary students from disadvantaged backgrounds, including migrants, who have a need for academic support to successfully complete their education. Grantees would be required to increasingly share the costs of their projects and to graduate from the program after five years of funding. The institutional share of project costs would be 0/10/25/50/75 percent over the five-year funding period.

1987 Budget Proposal — Continued

The 1987 request level for Special College Services is slightly more than one-half the fiscal year 1986 appropriation for the current programs reflecting the Department's concern about the lack of evidence showing their effectiveness. The legislative proposals would limit the Federal role in this area and require cost-sharing and graduation which would allow Federal funds to initiate programs in institutions in other parts of the country. This should result in these services eventually becoming available to more students at more institutions nationwide at a lower cost to the Federal taxpayer. In addition, the support services to be provided under this new program would complement the student financial assistance available to these students, making the Federal investment more cost effective.

The impact data which follow indicate significant declines in the number of participants. These numbers, however, represent the maximum change that would occur in the number of participants. The actual decline is likely to be much less since grantees may reduce the level of services rather than the number of participants, or substitute non-Federal funds for the Federal funds currently supporting these activities.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Special Colleges Services (Proposed)				
Available funds	—	—	—	$39,900,000
Number of grant awards	—	—	—	350
Average grant award	—	—	—	$114,000
Number of participants	—	—	—	80,000
Avg. Fed. cost/participant	—	—	—	$500
TRIO/Special Services				
Available funds	$70,083,664	$70,083,664	$35,006,400	—
Number of grant awards	663	663	663	—
Average grant award	$105,707	$105,707	$52,800	—
Number of participants	154,000	154,000	77,000	—
Avg. Fed. cost/participant	$455	$455	$455	—
CAMP				
Available funds	$1,200,000	$1,148,000	—	—
Number of grant awards	6	6	—	—
Number of participants	395	395	—	—
Avg. Fed. cost/participant	$2,746	$2,906	—	—
Total grant awards	669	669	663	350
Total participants	154,395	154,395	77,000	80,000
Total budget authority	$71,402,646	$71,231,664	$35,006,400	$39,900,000

3. Veterans' cost-of-instruction

1987 Budget Proposal — Continued

The program has outlived its original purpose of assisting postsecondary institutional tutoring and counseling service programs in responding to the special educational and education-related needs of large numbers of enrolled Vietnam-era veterans. The enrollment of these veterans has declined dramatically over the last decade (from about 910,000 in 1976 to less than 200,000 now). Because of the much smaller number of veterans now enrolled at IHEs, adequate, appropriate services can be provided through traditional institutional service arrangements.

In 1985, grant awards averaged only about $4,225 per IHE. Such a small amount of support is not likely to make a critical difference in institutional services to enrolled veterans and is not cost-effective to administer.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Number of participating institutions	710	601	—	—
Total funds awarded	$3,000,000	$2,871,000	—	—

4. Program development: a. Institutions science improvement program for disadvantaged students (Proposed legislation)

1987 Authorization: $5,000,000 1/

Budget Authority:

1986 Appropriation 2/	1986 Available after Sequestering 2/	1986 Revised Estimate 2/	1987	Increase or Decrease
$5,000,000	$4,785,000	$4,785,000	$5,000,000	+$215,000

1/ Authorization for the Minority Institutions Science Improvement program (MISIP) expires at the end of fiscal year 1986. However, a one-year extension is authorized by section 414 of the General Education Provisions Act. New legislation is proposed.

2/ 1986 amounts reflect amounts appropriated for MISIP.

Purpose and Method of Operation

The Minority Institutions Science Improvement program (MISIP) awards discretionary grants to enhance the capacity of minority institutions to develop and maintain quality science education programs and to increase the flow of underrepresented minorities into the fields of science, math and engineering. Colleges and universities with minority enrollments greater than 50 percent are eligible to receive assistance under MISIP. Grant funds are used to purchase needed equipment, to develop curricular materials, and to support advanced faculty training. This program is current funded.

Four categories of grants are supported with MISIP funds:

- Design Project grants provide assistance to minority institutions to plan and develop long-range science improvement programs.
- Institutional Project grants provide assistance to individual minority institutions to support implementation of comprehensive science improvement plans, which may include any combination of activities designed to improve the preparation of minority students for careers in science.
- Cooperative Project grants assist groups of nonprofit, accredited colleges and universities to work together to conduct science improvement projects.
- Special Project grants support activities that improve the quality of training in science, math and engineering, enhance minority institutions' general scientific research capabilities, provide needed services to groups of eligible minority institutions, or provide inservice training for project directors and faculty from eligible minority institutions.

4. Program development: a. Institutions science improvement program for disadvantaged students

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Accomplishments

Activity under MISIP began in 1972 under the National Science Foundation Act of 1950 at a funding level of $5,000,000 per year. Transferred to the Department of Education in 1981, MISIP has continued to be funded at about the same level. Over the history of the program, approximately $70 million has been provided for projects at about 180 different institutions. Staff analysis has revealed that over 75 percent of the science activities initially supported with MISIP funds have continued to be supported with institutional funding after completion of MISIP projects.

1987 Budget Proposal

The Administration proposes to repeal the current statutory MISIP authority under section 406C of the General Education Provisions Act and replace it with authority for a similar Institutions Science Improvement Program for Disadvantaged Students (ISIPDS) under the Higher Education Act. For ISIPDS, $5,000,000 is requested. This is $215,000 more than the 1986 MISIP appropriation after sequestering. The 1987 budget proposes to fund this activity at the 1986 MISIP appropriation level.

The request level demonstrates the Administration's commitment to supporting institutions which serve special under-served and underrepresented populations. However, the current MISIP eligibility criteria discriminate on the basis of race. The proposed ISIPDS would eliminate this racial discrimination and focus Federal discretionary grants to help institutions serving significant numbers of financially disadvantaged students to improve their science education programs, including math and engineering. The request level will promote excellence and quality in science education at institutions serving disadvantaged students and, thereby, expand the pool of financially disadvantaged students qualified to pursue careers in science, math and engineering.

The Institutions Science Improvement Program for Disadvantaged Students (ISIPDS) would award discretionary grants to enhance the capacity of institutions serving significant numbers of financially disadvantaged students to develop and maintain quality science education programs and to increase the flow of financially disadvantaged individuals into the fields of science, math and engineering. Program operations would be similar to the current Minority Institutions Science Improvement Program (MISIP), except eligibility criteria which discriminate on the basis of race would be replaced with racially neutral criteria. Grant funds would be used to purchase needed equipment, to develop curricular materials, and to support advanced faculty training. This program would be current funded.

Higher Education

4. Program development: a. Institutions science improvement program for disadvantaged students

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Design Projects:				
Number of projects	3	3	3	3
Total funds awarded	$50,000	$47,850	$47,850	$50,000
Institutional Projects:				
Number of projects	15	14	14	15
Total funds awarded	$3,000,000	$2,871,000	$2,871,000	$3,000,000
Cooperative Projects:				
Number of projects	2	2	2	2
Total funds awarded	$700,000	$670,000	$670,000	$700,000
Special Projects:				
Number of projects	20	19	19	20
Total funds awarded	$1,250,000	$1,196,150	$1,195,150	$1,250,000
Total--MISIP/ISIPDS:				
Number of projects	40	38	38	40
Budget authority	$5,000,000	$4,785,000	$4,785,000	$5,000,000

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3. Veterans' cost-of-instruction
(Higher Education Act of 1965, Title IV, Part A, Subpart 7, Section 420A)

1987 Authorization: — 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$3,000,000	$2,871,000	—	—	—

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986. No new authorizing legislation is proposed.

Purpose and Method of Operation

The Veterans' Cost-of-Instruction program provides formula grants to institutions of higher education (IHEs) based on the number of enrolled veterans receiving veterans' educational benefits or vocational rehabilitation services. Bonus payments are made for enrolled veterans who are educationally disadvantaged or disabled. This program is current funded.

Funds awarded to IHEs help support offices of veterans' affairs which provide outreach, recruitment, special educational services, and counseling. The maximum payment per full-time equivalent undergraduate veteran is $300; the maximum bonus payment for educationally disadvantaged or disabled veterans is $150. Current legislation limits an IHE's total award to $75,000.

Accomplishments

This program was created in 1972 to respond to the special postsecondary education adjustment needs of Vietnam-era veterans. The peak year of veteran enrollment in postsecondary education was 1976 when there were approximately 910,000 enrolled veterans eligible for services. By 1981, the number of eligible veterans had declined to 212,000, and in the years 1982, 1983, 1984 and 1985, the number leveled at approximately 200,000. Projections indicate that eligible enrollment is likely to fall below 200,000 in 1986.

1987 Budget Proposal

For Veterans' Cost-of-Instruction, no funds are requested. This is the same as the 1986 revised request, but $2,871,000 less than the 1986 appropriation after sequestering.

1987 Budget Proposal — Continued

The program has outlived its original purpose of assisting postsecondary institutional tutoring and counseling service programs in responding to the special educational and education-related needs of large numbers of enrolled Vietnam-era veterans. The enrollment of these veterans has declined dramatically over the last decade (from about 910,000 in 1976 to less than 200,000 now). Because of the much smaller number of veterans now enrolled at IHEs, adequate, appropriate services can be provided through traditional institutional service arrangements.

In 1985, grant awards averaged only about $4,225 per IHE. Such a small amount of support is not likely to make a critical difference in institutional services to enrolled veterans and is not cost-effective to administer.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Number of participating institutions	710	601	—	—
Total funds awarded	$3,000,000	$2,871,000	—	—

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4. Program development: a. Institutions science improvement program for disadvantaged students (Proposed legislation)

1987 Authorization: $5,000,000 1/

Budget Authority:

1986 Appropriation 2/	1986 Available after Sequestering 2/	1986 Revised Estimate 2/	1987	Increase or Decrease
$5,000,000	$4,785,000	$4,785,000	$5,000,000	+$215,000

1/ Authorization for the Minority Institutions Science Improvement program (MISIP) expires at the end of fiscal year 1986. However, a one-year extension is authorized by section 414 of the General Education Provisions Act. New legislation is proposed.

2/ 1986 amounts reflect amounts appropriated for MISIP.

Purpose and Method of Operation

The Minority Institutions Science Improvement program (MISIP) awards discretionary grants to enhance the capacity of minority institutions to develop and maintain quality science education programs and to increase the flow of underrepresented minorities into the fields of science, math and engineering. Colleges and universities with minority enrollments greater than 50 percent are eligible to receive assistance under MISIP. Grant funds are used to purchase needed equipment, to develop curricular materials, and to support advanced faculty training. This program is current funded.

Four categories of grants are supported with MISIP funds:

- Design Project grants provide assistance to minority institutions to plan and develop long-range science improvement programs.
- Institutional Project grants provide assistance to individual minority institutions to support implementation of comprehensive science improvement plans, which may include any combination of activities designed to improve the preparation of minority students for careers in science.
- Cooperative Project grants assist groups of nonprofit, accredited colleges and universities to work together to conduct science improvement projects.
- Special Project grants support activities that improve the quality of training in science, math and engineering, enhance minority institutions' general scientific research capabilities, provide needed services to groups of eligible minority institutions, or provide inservice training for project directors and faculty from eligible minority institutions.

4. Program development: a. Institutions science improvement program for disadvantaged students

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Accomplishments

Activity under MISIP began in 1972 under the National Science Foundation Act of 1950 at a funding level of $5,000,000 per year. Transferred to the Department of Education in 1981, MISIP has continued to be funded at about the same level. Over the history of the program, approximately $70 million has been provided for projects at about 180 different institutions. Staff analysis has revealed that over 75 percent of the science activities initially supported with MISIP funds have continued to be supported with institutional funding after completion of MISIP projects.

1987 Budget Proposal

The Administration proposes to repeal the current statutory MISIP authority under section 406C of the General Education Provisions Act and replace it with authority for a similar Institutions Science Improvement Program for Disadvantaged Students (ISIPDS) under the Higher Education Act. For ISIPDS, $5,000,000 is requested. This is $215,000 more than the 1986 MISIP appropriation after sequestering. The 1987 budget proposes to fund this activity at the 1986 MISIP appropriation level.

The request level demonstrates the Administration's commitment to supporting institutions which serve special under-served and underrepresented populations. However, the current MISIP eligibility criteria discriminate on the basis of race. The proposed ISIPDS would eliminate this racial discrimination and focus Federal discretionary grants to help institutions serving significant numbers of financially disadvantaged students to improve their science education programs, including math and engineering. The request level will promote excellence and quality in science education at institutions serving disadvantaged students and, thereby, expand the pool of financially disadvantaged students qualified to pursue careers in science, math and engineering.

The Institutions Science Improvement Program for Disadvantaged Students (ISIPDS) would award discretionary grants to enhance the capacity of institutions serving significant numbers of financially disadvantaged students to develop and maintain quality science education programs and to increase the flow of financially disadvantaged individuals into the fields of science, math and engineering. Program operations would be similar to the current Minority Institutions Science Improvement Program (MISIP), except eligibility criteria which discriminate on the basis of race would be replaced with racially neutral criteria. Grant funds would be used to purchase needed equipment, to develop curricular materials, and to support advanced faculty training. This program would be current funded.

Higher Education

4. Program development: a. Institutions science improvement program for disadvantaged students

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Design Projects:				
Number of projects	3	3	3	3
Total funds awarded	$50,000	$47,850	$47,850	$50,000
Institutional Projects:				
Number of projects	15	14	14	15
Total funds awarded	$3,000,000	$2,871,000	$2,871,000	$3,000,000
Cooperative Projects:				
Number of projects	2	2	2	2
Total funds awarded	$700,000	$670,000	$670,000	$700,000
Special Projects:				
Number of projects	20	19	19	20
Total funds awarded	$1,250,000	$1,196,150	$1,195,150	$1,250,000
Total--MISIP/ISIPDS:				
Number of projects	40	38	38	40
Budget authority	$5,000,000	$4,785,000	$4,785,000	$5,000,000

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4. Program development: b. Fund for the Improvement of Postsecondary Education
(Higher Education Act of 1965, Title X, Part A)

1987 Authorization: To be determined 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$12,710,000	$12,163,000	$10,000,000	$10,000,000	---

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986. New authorizing legislation is proposed.

Purpose and Method of Operation

The Fund for the Improvement of Postsecondary Education (FIPSE) is designed to stimulate improvements in education beyond high school. The Fund supports exemplary, locally developed improvement projects which have potential for addressing widely perceived problems and recommending improvements in postsecondary education.

Small discretionary grants and contracts are awarded competitively to a variety of postsecondary institutions and agencies (including two- and four-year colleges and universities, State educational agencies, community-based organizations, and other institutions and organizations concerned with education beyond high school). This program is current funded. Awards are made under the following programs:

- Comprehensive Program: Under this program, over 97 percent of FIPSE's program funds support a variety of action-oriented improvement projects. Projects span the full range of postsecondary issues, including improvement in the quality of education, integration of education and work, initiation of partnerships between schools and businesses, and delivery of appropriate educational services.

- Mina Shaughnessy Scholars Program: Grants awarded under this program enable educational practitioners to analyze important advances in postsecondary education and disseminate the results to a broader audience than otherwise possible. In the past, this program was supported jointly by the Carnegie Corporation and the Department.

- Final Year Dissemination Grants: A small number of grants are supported for selected FIPSE projects in their final year for dissemination of information about the projects to other institutions, thus increasing the effectiveness of the project grants in advancing educational reforms.

Higher Education

4. Program development: b. Fund for the Improvement of Postsecondary Education

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Accomplishments

Established in 1972, the Fund has now supported over 1,400 projects, totaling over $138 million, located in all States and most of the territories. A recent study (Sol Pelavin Associates, 1983) found that 88 percent of the sampled grantees continue projects after their Federal grants end, and that 88 percent of the projects that have been completed still exist two years later. Moreover, the data collected indicate that FIPSE projects each influence a large number of other institutions or organizations.

1987 Budget Proposal

For FIPSE, $10,000,000 is requested. This is the same as the 1986 revised request, but $2,163,000 less than the 1986 appropriation after sequestration.

The 1987 request level is sufficient to enable the Department to concentrate funds on addressing the most significant quality issues in postsecondary education, and would support the Administration's goal of renewing our Nation's commitment to excellence and achievement in postsecondary education by promoting identification, development, and communication of effective practices.

FIPSE has successfully stimulated improvements in postsecondary education through grants to institutions of higher education and public and private agencies to improve the quality of postsecondary education opportunities and to identify educational programs of national significance. FIPSE is also cost-effective and represents an appropriate leadership role for the Federal Government--one of stimulating improvements in the quality of postsecondary education in the Nation without intruding on institutional prerogatives.

The Department's proposal to reauthorize the Higher Education Act will include legislative authority for FIPSE. No programmatic changes will be proposed.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Comprehensive Program:				
Number of grants	161	172	141	141
Total funds available	$12,610,000	$12,163,000	$9,900,000	$9,900,000
Final-Year Dissemination Grants:				
Number of grants	10	12	12	12
Total funds available	$100,000	$100,000	$100,000	$100,000
Total--FIPSE:				
Number of grants	171	184	153	153
Total budget authority	$12,710,000	$12,163,000	$10,000,000	$10,000,000

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4. Program development: c. International education and foreign language studies
(Higher Education Act of 1965, Title VI; and Mutual Educational and Cultural Exchange Act of 1961, Section 102(b)(6))

1987 Authorization: No funds are authorized for Domestic programs, 1/ and there is an indefinite authorization for Overseas programs

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$32,050,000	$30,671,000	---	---	---

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986. No new authorizing legislation is proposed.

Purpose and Method of Operation

International Education and Foreign Language Studies (IEFLS) programs are designed to strengthen the capability and performance of American education in foreign languages and in area and international studies. IEFLS programs contribute to the improvement of teaching and research, curricular materials, the domestic resource availability of specialists, and general understanding of the peoples of other countries through first-hand experience overseas.

Five major IEFLS Domestic programs are supported, as follows:

- National Resource Centers support institutions of higher education (IHEs) or consortia of such institutions in establishing, operating, and strengthening advanced centers to train students, specialists, and other scholars; in maintaining important library collections and related training and research facilities; in conducting advanced research and development activities; and in providing outreach and consultative services at the national, regional, and local levels.
- Foreign Language and Area Studies Fellowships support academic year and summer fellowships at IHEs having nationally recognized programs of excellence to support graduate-level training.
- International Studies and Foreign Language Programs support IHEs or consortia of such institutions in establishing, operating, and strengthening instructional programs in international studies at the undergraduate level.

Purpose and Method of Operation — Continued

- International Research and Studies Projects support IHEs, public and private nonprofit organizations, and individuals in projects to determine the need for increased or improved instruction in modern foreign languages and area and international studies; the development of more effective methods of teaching foreign languages and evaluating competency; and the development of specialized curriculum materials.

- Business and International Education Projects support IHEs in designing projects to promote linkages between such institutions and the business community engaged in international commerce.

Five major IEFLS Overseas programs (Fulbright-Hays programs) are supported, as follows:

- Group Projects Abroad supports group research, advanced training, and curriculum development overseas.

- Faculty Research Abroad supports opportunities for faculty members of institutions of higher education (IHEs) to study and to conduct advanced research overseas.

- Doctoral Dissertation Research Abroad supports opportunities for graduate students to engage in full-time dissertation research overseas.

- Foreign Curriculum Consultants supports grants to bring experts from other countries to the United States for an academic year to assist selected American institutions in planning and developing curricular materials.

- Special Bilateral Projects with foreign countries supports advanced training and research through short-term institutes, academic-year seminars, and exchanges.

IEFLS programs are administered through discretionary grants, contracts, and fellowships. Funds are appropriated and obligated in one fiscal year for the support of projects carried out during the succeeding fiscal year.

A panel of non-Federal academic specialists reviews annual proposals for IEFLS Overseas projects and makes recommendations regarding the selection of grantees. Following this review, Federal program staff, bi-national commissions, U.S. embassies, and the Board of Foreign Scholarships select the grantees. Funds for special bilateral projects are allocated in a variety of ways, including interagency transfer agreements, contracts, and competitive grants.

A portion of each year's appropriation has been used to reimburse bi-national commissions and U.S. embassies for professional and administrative support they have provided for projects and individuals funded under these programs. Services have included reviewing project proposals for feasibility, political sensitivity, and cost estimates; providing assistance to grantees in obtaining local research permits and visas; and recruiting local educators for assignment as curriculum consultants.

4. Program development: c. International education and foreign language studies

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Accomplishments

IEFLS Domestic programs have been funded since 1959, and Overseas programs have been funded since 1964. Since that time, more than $475 million has been spent supporting a variety of programs that have strengthened and improved the excellence of American foreign language and area and international studies capabilities. These programs have also contributed to an increased awareness of international issues among the American people. In recent years, the programs have promoted the study of languages and cultures not commonly taught by awarding grants for a broad range of area concentrations and in areas of critical interest to the United States, particularly of non-Western countries.

1987 Budget Proposal

For International Education and Foreign Language Studies, no funds are requested. This is the same as the 1986 revised request, and $30,671,000 less than the 1986 appropriation after sequestering.

Most of the IHEs receiving this Federal assistance have been doing so for many years. IEFLS programs provide only a small portion of IHE support in these areas. For example, Federal funds account for only about 10 percent of the support for National Resource Centers--which is the largest of the IEFLS programs. Because foreign language studies and area and international education programs are now well-established parts of postsecondary curriculums, the institutions should assume full funding responsibility. The supported curricular centers and studies will likely continue in the absence of Federal funding.

Many of these programs can be supported through philanthropic and other private sector means (e.g., under the auspices of organizations such as the ASIA Foundation, the Carnegie Corporation, the Ford Foundation, and numerous businesses and industries involved in international commerce). Such support is consistent with the Administration's policy of encouraging individuals, institutions, businesses, and other organizations to provide a greater share of support for such activities, and the fact that few benefits from IEFLS programs accrue directly to the Federal Government. A recent Department study (Rand, 1983) found that most individual beneficiaries secure positions in either academia or the private sector, or end up in unrelated employment.

Specific Federal-level needs relative to foreign languages and area and international studies are better left to those agencies with substantive interests. Related programs already exist in several of these agencies (such as the State Department's Foreign Service Institute, the Defense Department's Defense Language Institute and International Military Education and Training Program, and the U.S. Information Agency's Fulbright-Hays programs and International Visitors' Program).

Higher Education

4. Program development: c. International education and foreign language studies

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1987 Budget Proposal -- Continued

Federal-level needs with respect to foreign languages and area and international studies can be met adequately through these and other specialized programs. General support for these studies at the elementary, secondary, and postsecondary education levels can continue to be provided by State and local educational agencies, postsecondary institutions, and the private sector.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Domestic programs				
National Resource Centers:				
Number of centers	93	89	---	---
Average award	$131,000	$131,000	---	---
Total funds available	$12,200,000	$11,675,000	---	---
Foreign Language and Area Studies Fellowships:				
Number of fellowships	842	806	---	---
Average fellowship	$9,000	$9,000	---	---
Total funds available	$7,550,000	$7,225,000	---	---
International Studies and Foreign Language Programs:				
Number of programs	67	64	---	---
Average award	$46,000	$46,000	---	---
Total funds available	$3,100,000	$2,967,000	---	---
International Research and Studies Projects:				
Number of projects	27	26	---	---
Average award	$55,500	$55,500	---	---
Total funds available	$1,500,000	$1,436,000	---	---
Business and International Education Projects:				
Number of projects	35	33	---	---
Average award	$63,000	$63,000	---	---
Total funds available	$2,200,000	$2,105,000	---	---
Total funds available -- all Domestic programs	$26,550,000	$25,408,000		

Higher Education

4. Program development: c. International education and foreign language studies

Impact Data -- Continued	1985	1986 after Sequestering	1986 Revised	1987
Overseas programs				
Group Projects Abroad:				
Number of projects	26	27	---	---
Number of participants	650	675	---	---
Average project award	$75,000	$74,850	---	---
Total funds available	$1,955,000	$2,021,000	---	---
Faculty Research Abroad:				
Number of fellowships	30	24	---	---
Average award	$27,600	$28,300	---	---
Total funds available	$830,000	$679,000	---	---
Doctoral Dissertation Research Abroad:				
Number of fellowships	104	92	---	---
Average award	$16,000	$16,000	---	---
Total funds available	$1,651,000	$1,474,000	---	---
Foreign Curriculum Consultants:				
Number of consultants	6	7	---	---
Average award	$20,000	$18,700	---	---
Total funds available	$120,000	$131,000	---	---
Special Bilateral Projects:				
Number of projects	9	8	---	---
Average award	$102,000	$117,125	---	---
Total funds available	$919,500	$937,000	---	---
Administration	$24,500	$21,000	---	---
Total funds available — all Overseas Programs	$5,500,000	$5,263,000	---	---
Total funds available — all IEFLS Programs	$32,050,000	$30,671,000	---	---

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4. Program development: d. Cooperative education
(Higher Education Act of 1965, Title VIII)

1987 Authorization: --- 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$14,400,000	$13,781,000	---	---	---

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986. No new authorizing legislation is proposed.

Purpose and Method of Operation

The Cooperative Education Program awards discretionary grants to postsecondary institutions to stimulate the development of cooperative education programs at the institutions in conjunction with public and private employers. The program provides work experiences for students, either concurrent or alternating with periods of academic study, which generally relate to a student's career or academic objectives and provide earnings which a student may use to help meet the costs of postsecondary education. This program is current funded.

Three categories of grants have been supported in recent years:

- Administration Projects support operating costs of campus-based cooperative education programs for no more than five years, with the Federal share of the costs declining each year (100%/90%/80%/60%/30%).
- Demonstration Projects are funded with large, multi-year grants to help institutions plan institution-wide, comprehensive cooperative education programs in an effort to include more students from all academic fields.
- Training Projects provide assistance and guidance to faculty and administrators of cooperative education programs.

Accomplishments

In 1970, there were only 195 cooperative education programs in the country. By 1980, the number of institutions offering cooperative education programs had grown to well over 1,000. During this time period with the aid of Federal funding, cooperative education programs became increasingly accepted and desired by students as they sought to develop a more definite linkage between education and work.

1987 Budget Proposal

For Cooperative Education, no funds are requested. This is the same as the 1986 revised request, and $13,781,000 less than the 1986 appropriation after sequestering.

There is no longer a need for Federal encouragement and stimulation in the area of Cooperative Education. More than one-third of the Nation's postsecondary institutions have cooperative education programs, and there is now widespread recognition of the benefits of this educational approach. The concept of cooperative education has been demonstrated successfully and accepted very positively, as evidenced by the number of institutions operating such programs without Federal funding.

As enrollments decline and increasing numbers of students demand cooperative education programs, institutions will be financially motivated to support such programs on their own. This is also an area in which institutions have been very successful in obtaining private sector support.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Administration Projects:				
Number of grants	151	160	---	---
Total funds available	$9,390,000	$10,240,000	---	---
Demonstration Projects:				
Number of grants	17	5	---	---
Total funds available	$4,000,000	$2,680,000	---	---
Training Projects:				
Number of grants	10	9	---	---
Total funds available	$1,010,000	$861,000	---	---
Total--Cooperative Education:				
Number of Grants	178	174	---	---
Total budget authority	$14,400,000	$13,781,000	---	---

5. Academic facilities: a. Interest subsidy grants
(Higher Education Act, Title VII, Part C, Section 734)

1987 Authorization: To be determined 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$23,500,000	$22,490,000	$22,490,000	$23,000,000	+$510,000

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

Purpose and Method of Operation

The Interest Subsidy Grants program is designed to support financing for the construction, renovation, and equipping of college and university academic facilities by reducing the cost of borrowing from private sources. This financing is intended to help States, local communities, and individual higher education institutions (1) accommodate enrollment increases, (2) maintain and expand research facilities, (3) support energy conservation rehabilitation of existing facilities, and (4) upgrade existing facilities to meet various Federal, State, and local structural requirements relating to health, safety, and access to the handicapped.

Currently, however, the program is not entering into new subsidy commitments. Rather, it is simply carrying out its prior year commitments to subsidize interest costs on over 600 privately financed facilities loans. After each such loan had been arranged commercially at an acceptable interest rate, the Department of Education then entered into an agreement with the borrowing institution or agency to pay an annual subsidy representing the difference between the interest costs incurred at the negotiated, commercial lending rate and what the costs would have been at a three percent rate. Annual grants are awarded, over the full term of the approved loans, in satisfaction of these subsidies. The grants are paid for with both newly appropriated monies and, as available, funds carried over from prior years.

Accomplishments

Over the four fiscal year period of 1970-73, 711 commercial loans totaling over $1.43 billion were approved for subsidy, and to date, about $315.4 million has been appropriated to pay the subsidies.

5. Academic facilities: a. Interest subsidy grants

1987 Budget Proposal

For Interest Subsidy Grants, $23,000,000 is requested. This is $510,000 more than the 1986 revised estimate of $22,490,000. Although the 1987 budget request reflects a small increase over the 1986 post-sequestration appropriation level, actual obligations for interest subsidy grants are expected to fall slightly. (In 1986, new budget authority is being supplemented with unobligated balances remaining from prior years. Since the entire amount of these carryover funds is expected be depleted in 1986, the 1987 request had to be established at the full amount estimated to be needed to pay subsidies in the budget year.) The requested amount will support interest subsidies on the 599 loans expected to still be in repayment status in 1987, with remaining outstanding loan principal of about $1.117 billion.

The continued payment of interest subsidies on the existing portfolio of higher education facilities loans is guaranteed under agreements with the participating institutions, and the precise amount of each school's annual interest grant is specified in those agreements. As such--without a renegotiation of the subsidy terms, conditions, and amounts--this program's budgetary cost is essentially predetermined and mandatory.

Consistent with the 1987 budget request (which will limit interest subsidy payments to the amount needed to satisfy prior year agreements), the Department's Higher Education Act reauthorization proposal calls for complete and permanent repeal of authority to enter into new commitments. Only those few statutory authorities needed to provide a legal and operational framework for continued management, servicing, and payment of subsidies under existing commitments will be extended. Our proposal for this program is consistent with the past 12 years of congressionally enacted budget policy.

Impact Data

	1985	1986 after Sequestering	1986 Revised	1987
Outstanding loans under subsidy (end-of-year):				
Number of loans	619	611	611	599
Loan volume ($000s)	$1,180,000	$1,150,000	$1,150,000	$1,117,000
Subsidy payments:				
Payments from new budget authority	$18,775,000	$22,490,000	$22,490,000	$23,000,000
Payments from unobligated balances	$6,193,000	$1,202,000	$1,202,000	$280,000
Total payments	$24,968,000	$23,692,000	$23,692,000	$23,280,000
Average subsidy grant	$40,336	$38,275	$38,275	$38,101

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5. Academic facilities: b. Academic facilities construction grants (Higher Education Act, Title VII, Part B)

1987 Authorization: To be determined 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate 2/	1987	Increase or Decrease
$10,000,000	$9,570,000	—	—	—

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

2/ Reflects a proposed rescission of the entire amount made available in 1986.

Purpose and Method of Operation

The Academic Facilities Construction Grants program is designed to support financing for the construction, renovation, and equipping of college and university academic facilities by providing matching project grants. This financing is intended to help higher education institutions (1) accommodate enrollment increases, (2) maintain and expand research facilities, (3) support energy conservation rehabilitation of existing facilities, and (4) upgrade existing facilities to meet various Federal, State, and local structural requirements relating to health, safety, and access to the handicapped.

Under the Part B program, grants are made directly and on a competitive basis to individual colleges and universities. No more than 12.5 percent of the total amount available in any one year may be awarded to institutions in any one State, and program funds may pay for no more than 50 percent of a project's costs. Grants are normally made only to graduate institutions. However, under the provisions of both the 1985 and 1986 appropriation acts, both graduate and undergraduate facilities projects are eligible for support with funds made available in those two years.

Accomplishments

During the period of substantial higher education enrollment growth in the 1960s, this program was created to help finance the construction of new graduate academic facilities for the Nation's campuses and also to help renovate existing facilities. Over a period of six years (fiscal years 1965-70), about $238 million in grants was awarded. Primarily, this institutional assistance was provided to help accommodate unusual increases in graduate enrollments and to help maintain and expand research facilities.

Accomplishments — Continued

From 1971 through 1984, the program was largely dormant. Over this 14-year period, only five non-competitive grant awards were made (two each in 1978 and 1983 and one in 1984 to congressionally specified institutions for the construction of two intercultural centers, a research library, a technology development center, and an urban research center).

In fiscal year 1985, the program was appropriated $28 million in discretionary monies—the first such general appropriation since 1970. Another $10 million has been appropriated in 1986 (reduced to $9.57 million under sequestration). New program regulations are now being developed, and current plans are to competitively award the $28 million appropriated in 1985 by the close of fiscal year 1986. The fiscal year 1986 appropriated funds are proposed for rescission.

1987 Budget Proposal

For Academic Facilities Construction Grants, no funds are requested. This is the same as the 1986 revised estimate. Consistent with this 1987 budget request and its rationale, the Department's legislative policy for this program calls for permanent repeal of grant authority.

With respect to higher education facilities assistance generally—including that provided through this program—the Department believes that the current statutory authorities (1) are not designed to carry out an appropriate Federal role, (2) are so broad in purpose that they displace traditional and proper State, local, institutional, and private sector responsibility for providing fundamental postsecondary institutional support, (3) are unnecessarily complicated, duplicative, and administratively cumbersome, and (4) are extremely costly with excessively expensive subsidies involved.

For the following more specific reasons, the Department believes that no further grant assistance should be authorized under this program:

- No overall Federal role - The Department does not believe that it should assume any responsibility for financing the capital outlay needed to generally maintain the physical plant of institutions of higher education—especially while attempting to restrain spending. Responsibility for this type of fundamental institutional support lies with colleges and universities themselves, State and local governments, taxpayers at those levels, and private sector users and beneficiaries of higher education services.

- Limited Federal R&D role/other available agency resources - Where there is an appropriate Federal interest in higher education physical plant (i.e., important research facilities and equipment), other Federal funds are available—principally through the broader research and development (R&D) authorities of agencies such as the National Science Foundation, the Defense, Energy, and Agriculture Departments, and the National Institutes of Health.

1987 Budget Proposal -- Continued

The substantial R&D programs of these agencies are the more appropriate vehicles for Federal support of the Nation's higher education research infrastructure.

Over recent years, the Federal Government's overall investment in higher education R&D physical plant has been 40-50 times the level of this program's 1986 appropriation. This includes funding both for colleges and universities generally as well as for Federally funded research and development centers administered by institutions of higher education.

In addition to the Federal program funds appropriated and obligated specifically and singularly for higher education R&D facilities and equipment, significant support is also being provided through larger and broader-purpose R&D grants. Most Federal R&D programs provide at least some limited support for capital outlay through their broader R&D agenda--especially when associated physical plant is considered essential and integral to the sponsored research itself. Generally, however, these amounts are not separately identified and cannot be ascertained with precision. Consequently, figures on total R&D infrastructure support across the Federal Government tend to be underreported.

Moreover, not only is most Federal assistance for higher education research facilities and equipment currently being awarded by other agencies, but it should remain so. Federal agencies for which scientific research is a more integral part of agency mission are in a much better position to assure that Government support for R&D physical plant effectively complements the Nation's substantial investment in R&D generally.

Furthermore, for the following reasons, any arguable need for Federal facilities assistance that may have existed previously is greatly diminished:

o Projected enrollment declines/changing enrollment demographics - The physical plant demands that colleges and universities were confronted with in the 1960s when the higher education facilities programs were created (demands engendered principally by rapidly expanding postsecondary enrollments) no longer exist.

On a national basis, full-time postsecondary enrollments have been basically steady over recent years and are projected to begin declining slightly over the next decade. More importantly, large numbers of individual schools have already begun experiencing declines. Higher Education General Information Survey (HEGIS) enrollment data show that over the four academic year-period of Fall 1981 through Fall 1984, full-time equivalent enrollments declined at over one-third of colleges and universities.

o Improved economic conditions - The more current higher education infrastructure needs have been brought about largely because of the accumulation of years of deferred maintenance and replacement--deferrals necessitated by the

1987 Budget Proposal — Continued

unfortunate recent years of especially "lean" institutional budgets strained by high inflation, rapidly increasing energy costs, and generally declining levels of discretionary resources at State and local government levels. These circumstances have been largely remedied, however, and we have witnessed significant improvement in the financial status of colleges and universities as well as in the fiscal capacity of State and local governments, taxpayers, and the private sector for supporting these institutions.

This general revitalization has occurred under an economic recovery program now distinguished by lower inflation, lower interest rates, lower Federal taxes, tax policies supportive of private sector/education partnerships and other such initiatives, simplified programs of Federal assistance to State and local governments, and less burdensome Federal regulation. The Nation's sustained economic performance can be expected to continue to play a large role in helping colleges and universities to address physical plant needs accumulated over the previous years of institutional fiscal restraint.

For example, the following recent findings are both relevant and noteworthy:

--Investment earnings on endowment funds - The National Association of College and University Business Officers found that over the past few years (notwithstanding a small decline in 1984), the return on investments of college and university endowment holdings has been dramatic--yielding an estimated 41.3 percent in 1983 alone. Moreover, lower inflation has magnified even further the buying power of these institutional earnings.

--Higher education philanthropy - Private giving to colleges and universities (some of which supports capital construction/renovation projects and equipment acquisition) has also been helped by the economic recovery. The Council for Financial Aid to Education (CFAE) recently reported that 1984 corporate aid to education was up 16.4 percent over the previous year (and up 82 percent since as recently as 1979). Of total education aid, CFAE reports that about $1.1 billion went to higher education--with about six percent of that amount (or about $68 million) representing capital grants, about 20 percent (or about $227 million) being gifts of company products and equipment, and about another 7.7 percent (or about $87 million) coming in unrestricted operating grants.

--State and local government revenues - The National Conference of State Legislatures reported recently that the condition of college and university facilities has become one of the new areas of focus on the higher education agenda of State lawmakers. The Department believes that it is the improved revenue condition of State and local governments (an improvement brought about largely because of the Nation's overall economic recovery) that has both encouraged and enabled lawmakers and policymakers at these levels to now begin paying more attention to this truly State and local responsibility.

1987 Budget Proposal — Continued

- Capital recovery under energy conservation projects - With respect to energy conservation rehabilitation projects, since the cost-effectiveness of undertaking such measures can result in full recovery of capital investments within a few years, Department assistance for this type of facilities renovation should not be needed.

In sum, the Department believes that higher education institutions themselves--and, as appropriate, State and local governments—are now in a better position to help finance facilities construction, and such financing is more appropriately their responsibility. Where currently available State and local tax dollars or institutional resources are not adequate, bond and commercial lending markets—which are healthy—can be tapped. In fact, the marketing of construction bonds is one of the most common manners of raising capital for facilities projects, and there is no reason that it should not remain so--especially now that the interest cost of such financing has declined significantly.

Impact Data

	1985	1986 after Sequestering	1986 Revised	1987
Grants supported with new budget authority:				
Number of facility/ equipment grants	—	38	—	—
Average grant amount	—	$251,842	—	—
Grants supported with unobligated balances:				
Number of facility/ equipment grants	—	112	112	—
Average grant amount	—	$250,000 1/	$250,000 1/	—
Total grants:				
Number of facility/ equipment grants	—	150	112	—
Average grant amount	—	$250,467 1/	$250,000 1/	—
Total grant support:	—	$37,570,000 1/	$28,000,000 1/	—

1/ Reflects grant awards planned to be made in 1986 with $28,000,000 appropriated in fiscal year 1985, but remaining available for obligation.

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6. Graduate programs: a. Graduate and professional opportunity fellowships (Higher Education Act of 1965, Title IX, Part B)

1987 Authorization: — 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$11,750,000	$11,245,000	—	—	—

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986. No new authorizing legislation is proposed.

Purpose and Method of Operation

The Graduate and Professional Opportunity Fellowships program authorizes the Secretary to award discretionary grants to institutions of higher education to assist minorities and women to undertake graduate and professional study in fields in which they have been traditionally underrepresented. The program is current funded. The Department allocates fellowships on a competitive basis to institutions with doctoral and professional degree programs in which there is a national need for highly trained individuals. The institutions, in turn, recruit individuals from underrepresented groups and award fellowships to students who demonstrate financial need and who plan to pursue advanced degrees in approved academic areas.

Accomplishments

Since this program began in 1978, more than 3,000 fellows have participated. In 1984, minority group representation in the program included: Blacks (50%), Hispanics (22%), Asian-Americans (5%), Native Americans (4%), and white females (19%). Women, overall, comprised more than 50 percent of the 1,456 fellows supported during academic year 1984-1985. No data is available on whether these individuals would have pursued graduate study in the absence of this program, particularly since several alternative means of financial support are available.

Program data for 1983 indicate that 73 fellows were awarded Ph.D.'s, and 200 received master's degrees or the first professional degree in law. Students studying in the fields of engineering and the physical and life sciences received over 50 percent of the fellowships awarded in 1984.

1987 Budget Proposal

For Graduate and Professional Opportunity Fellowships, no funds are requested. This is the same as the 1986 revised request, and $11,245,000 less than the 1986 appropriation after sequestering.

1987 Budget Proposal — Continued

Currently, there are a wide variety of Federal and non-Federal sources of financial support available for minorities as well as women pursuing graduate study. These include Federal student aid, and support from postsecondary institutions, foundations, and other private sources. Needy graduate students are currently eligible for assistance under the Department's Guaranteed Student Loan, Direct Loan, and Work-Study programs, and would be eligible for assistance under the proposed Income-Contingent Student Loan program. In addition, the National Science Foundation supports two graduate fellowship programs for students who plan to pursue graduate study in the science fields. Notably, one of these programs is specifically targeted to women and minorities.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Number of fellows	1,428	1,352	—	—
Average fellowship	$8,228	$8,316	—	—
Number of grant awards	155	154	—	—
Average grant award	$75,800	$73,000	—	—

6. Graduate programs: b. Public service fellowships
(Higher Education Act of 1965, Title IX, Part B)

1987 Authorization: --- 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$2,500,000	$2,393,000	---	---	---

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986. No new authorizing legislation is proposed.

Purpose and Method of Operation

The Public Service Fellowships program awards discretionary grants to institutions of higher education to increase the number of individuals training for public service careers. The Department allocates fellowships on a competitive basis to institutions of higher education, which then award the fellowships to graduate students to prepare them for leadership and management careers in public service. The program is current funded.

Accomplishments

This program has received a total of about $31 million in funding since 1975. Fellowship support has been provided to approximately 2,000 graduate students. Program data for 1984 indicate that an estimated 150 fellows received master's degrees in public administration or closely related fields. Participating institutions projected that another 175 fellows would be awarded master's degrees during 1985-86. No data is available on whether these individuals would have pursued graduate study in the absence of this program, particularly since several alternative means of financial support are available.

1987 Budget Proposal

For Public Service Fellowships, no funds are requested. This is the same as the 1986 revised request, and $2,393,000 less than the 1986 appropriation after sequestering.

1987 Budget Policy — Continued

There is little need for Federal financial assistance to encourage programs such as Public Service Fellowships. Many institutions currently offer high quality graduate programs in public administration. Furthermore, there is no shortage of qualified applicants for public service employment. The number of master's degrees awarded in public service fields increased by 141.5 percent between academic years 1970-71 and 1978-79, and doctoral degrees awarded in these fields increased by 106.7 percent during the same period.

Reductions in the Federal workforce have depressed the need for public service graduates. Moreover, Federal, State and local government offices that are hiring are recruiting significantly more persons with degrees in specialized disciplines such as law, economics, and engineering rather than persons with general training in public administration.

Needy graduate students in public service fields are currently eligible for assistance under the Department's Guaranteed Student Loan, Direct Loan and Work-Study programs, and would be eligible for assistance under the proposed Income-Contingent Student Loan program.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Number of fellows	309	285	—	—
Average fellowship	$8,100	$8,400	—	—
Number of grant awards	49	57	—	—
Average grant award	$51,000	$42,000	—	—

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6. Graduate programs: c. National graduate fellowships
(Higher Education Act of 1965, Title IX, Part C)

1987 Authorization: --- 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$2,500,000	$2,393,000	---	---	---

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986. No new authorizing legislation is proposed.

Purpose and Method of Operation

The National Graduate Fellowships program is authorized to provide fellowships to students of superior ability for graduate study in the arts, humanities, and social sciences. In accordance with statutory requirements, a National Graduate Fellows Program Fellowships Board establishes program policies, oversees program operation, selects annually fields of study in which fellowships are to be awarded, determines the numbers of fellowships to be awarded in each designated field, and appoints panels to select fellows.

Through national competition, fellows are selected on the basis of demonstrated achievement and exceptional promise. They may pursue graduate study at the institution of their choice. Fellowship awards are to be distributed to fellows in the form of stipends which may not exceed demonstrated need, and to institutions for each fellow's tuition and other expenses.

Accomplishments

Fiscal year 1985 was the first year in which funds have been appropriated for this program. Thus, the Department has not yet had an opportunity to observe or evaluate the results of activities carried out under this program.

1986 Budget Proposal

For National Graduate Fellowships, no funds are requested. This is the same as the 1986 revised request, and $2,393,000 less than the 1986 appropriation after sequestering.

Higher Education

6. Graduate programs: c. National graduate fellowships

1987 Budget Proposal — Continued

Currently, there are a wide variety of Federal and non-Federal sources of financial support available for graduate and professional study. These include Federal student aid and support from postsecondary institutions, foundations, and other private sources. Needy graduate students are currently eligible for assistance under the Department's Guaranteed Student Loan, Direct Loan, and Work-Study programs, and would be eligible for assistance under the proposed Income-Contingent Student Loan program.

There are also a variety of Federal programs outside the Department which support graduate study. The National Science Foundation supports two graduate fellowship programs for students who plan to pursue graduate study in the science fields. The National Endowment for the Humanities supports several graduate fellowship programs targeted primarily at improving the quality of teaching.

Impact Data	1985 1/	1986 after Sequestering	1986 Revised	1987
Number of fellows	82	196	—	—
Average fellowship	$30,500	$12,200	—	—

1/ Fiscal year 1985 fellowships were awarded for 30-month periods.

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6. Graduate programs: d. Legal training for the disadvantaged (Higher Education Act of 1965, Title IX, Part D)

1987 Authorization: --- 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$1,500,000	$1,435,000	---	---	---

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986. No new authorizing legislation is proposed.

Purpose and Method of Operation

The Legal Training for the Disadvantaged program supports pre-law school preparation and scholarships to assist individuals from disadvantaged backgrounds to undertake training for the legal profession. The Department awards a noncompetitive grant to the Council on Legal Education Opportunity (CLEO) to administer this program. The program is current funded. Each year's appropriation is spent over a period of two years. In addition, CLEO receives a large percentage of its funds from non-Federal sources.

CLEO conducts a nation-wide search for candidates to participate in this program. Participants must be persons who wish to become lawyers but have been unable to gain admission to law school because of economic disadvantages, marginal academic credentials, or both. Applications are submitted to the CLEO central office where an initial screening process takes place. Eligible applications are then forwarded to regional panels of law school deans and other educators who make the final selection of students.

In the summer prior to law school, the program provides participants with an intensive six-week training session at one of a number of regional institutes. Institute sites are widely distributed in order to reduce student traveling expenses. This pre-law preparation is designed to train CLEO students so they can perform as well in law school as the traditional law student. After completing the summer training, participants begin three years of law school during which they receive an annual fellowship stipend. In addition, participating law schools waive the tuition and fees that would normally be charged to these students.

6. Graduate programs: d. Legal training for the disadvantaged

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Accomplishments

This program, which has been in operation since 1968, was first funded from private sources through 1970 and then was supported by the Office of Economic Opportunity. In fiscal year 1974, an appropriation of $750,000 was provided to the Office of Education to administer this program.

The Legal Training for the Disadvantaged program has gained visibility and demonstrated its effectiveness in training disadvantaged individuals for successful careers in the legal profession. In the past 15 years, CLEO has assisted 4,000 students in gaining admission to law schools. As of June 1985, 2,000 CLEO students had completed law school. A recent survey showed that the average rate for passing the bar examination was 87.5 percent for CLEO fellows who had completed law school. Career patterns of CLEO graduates cover a broad spectrum of law-related professions.

1987 Budget Proposal

For Legal Training for the Disadvantaged, no funds are requested. This is the same as the 1986 revised request, and $1,435,000 less than the 1986 appropriation after sequestering.

Without further Federal support, this program would likely attract financial support from private sources to continue its activities. During the first two years of operation of this program, it was funded solely from private sources. With Federal assistance, it has gained visibility and demonstrated its effectiveness. Cooperating law schools have already absorbed the major share of the program's costs by supporting half the operational costs of the summer institutes and by waiving the tuition and fees for CLEO fellows. Federal financial assistance is also available to disadvantaged individuals through the Department's student financial assistance programs in the form of loans and Work-Study opportunities.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Number of fellows	538	515	—	—
Average stipend	$1,300	$1,300	—	—
Number of summer institutes	7	7	—	—
Federal cost of institutes	$400,000	$383,000	—	—
CLEO Administrative Costs	$375,000	$358,875	—	—

6. Graduate programs: e. Law school clinical experience
(Higher Education Act of 1965, Title IX, Part E)

1987 Authorization: $2,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$1,500,000	$1,435,000	---	---	---

Purpose and Method of Operation

The Law School Clinical Experience program supports discretionary grants to accredited law schools to establish or expand programs of clinical experience in the practice of law for students. The program is current funded.

The Secretary is authorized to enter into agreements with accredited law schools to finance not more than 90 percent of the cost of establishing or expanding clinical law programs. Project costs are limited to: planning; preparation of related teaching materials; administration; training of faculty members; payments for faculty, attorneys and others directly involved in supervision; and other activities related to the program.

Accomplishments

The program was first funded as a demonstration program in 1978 with an appropriation of $1 million. Since then, $16 million has been appropriated. Program data for academic year 1984-85 indicate that 1,500 law students participated in supervised clinical experience programs sponsored with Federal funds. These students gained experience in the preparation and trial of actual legal cases.

1987 Budget Proposal

For the Law School Clinical Experience program, no funds are requested. This is the same as the 1986 revised request, and $1,435,000 less than the 1986 appropriation after sequestering.

The purpose of Federal support for the program was to demonstrate the concept of clinical legal education and to encourage law schools to increase their financial commitments for this educational approach. Support of clinical legal education was not intended to be considered a permanent Federal responsibility.

Higher Education

6. Graduate programs: a. Law school clinical experience

1987 Budget Proposal -- Continued

There is evidence that this program will continue in the absence of Federal support. The concept of clinical legal education has been adequately demonstrated, and programs have been supported at most of the Nation's accredited law schools without Federal funding. The Ford Foundation-sponsored Council on Legal Education for Professional Responsibility has spent approximately $7 million over the past ten years to support approximately 100 clinical legal education programs. Most law schools are also making a greater financial commitment to clinical education by including clinics in their regular budgets and are providing tenure positions to clinical professors.

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Number of participants	1,502	1,440	---	---
Number of grant awards	44	57	---	---
Average grant award	$30,700	$25,000	---	---

7. Carl D. Perkins Scholarships
(Higher Education Act of 1965, Title V, Part E)

1987 Authorization: $21,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$10,000,000	$9,570,000	—	—	—

Purpose and Method of Operation

This newly authorized program is intended to encourage outstanding high school graduates to pursue courses of study at the postsecondary level which would lead to teaching careers in elementary and secondary education.

Outstanding high school graduates interested in studying elementary and secondary school teaching are eligible for up to four years of scholarship assistance to attend undergraduate school. State-level agencies would receive formula grants to provide up to $5,000 per academic year to recipients chosen on the basis of State established merit criteria. Recipients would have to agree to teach for two years per year of supported study or repay the amount of the scholarship with interest. State agencies would be responsible for enforcing various program rules.

Accomplishments

Fiscal year 1986 is the first year in which funds have been appropriated for this activity. Thus, the Department has not had an opportunity to observe or evaluate the results of activities carried out under this authority.

1987 Budget Proposal

For Carl D. Perkins Scholarships, no funds are requested. This is the same as the 1986 revised request, and $9,570,000 less than the 1986 appropriation after sequestering.

Currently, there are a wide variety of Federal and non-Federal sources of financial support available to college students. These include Federal student aid and support from postsecondary institutions, foundations, and other private sources. Needy college students are eligible for assistance under the Department's Pell Grant, Guaranteed Student Loan, Direct Loan, and Work-Study programs, and would be eligible for assistance under the proposed Income-Contingent Student Loan program. Thus, although these particular scholarships would be eliminated, other financial assistance opportunities will remain available.

Higher Education

7. Carl D. Perkins Scholarships

Impact Data	1985	1986 after Sequestering	1986 Revised	1987
Number of scholars	---	1,914	---	---
Average award	---	$5,000	---	---

8. Special grants: a. Assistance to Guam
(Higher Education Act of 1965, Title XII, Section 1204(c))

1987 Authorization: --- 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$500,000	$479,000	---	---	---

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986. No new authorizing legislation is proposed.

Purpose and Method of Operation

Assistance to Guam is authorized to provide partial reimbursement to the University of Guam for costs incurred in providing postsecondary education services to students from other Pacific-area U.S. territories.

Accomplishments

Fiscal year 1985 was the first year in which funds were appropriated for this activity. Thus, the Department has not had an opportunity to observe or evaluate the results of activities carried out under this authority.

1987 Budget Proposal

For Assistance to Guam, no funds are requested. This is the same as the 1986 revised request, and $479,000 less than the 1986 appropriation after sequestering.

The Compact of Free Association will terminate Federal support for the territories. However, the University of Guam will continue to support students from the territories without this direct Federal aid because Federal student financial assistance will continue to be available for these students.

Because of the relative scarcity of higher education institutions in the Pacific territories and the limited range of curricular offerings available at each of the few existing institutions, the University of Guam has committed itself to sharing its resources and services with students from the neighboring territories.

8. Special grants: b. Robert A. Taft Institute of Government (Education Amendments of 1980, Title XIII, Part H, Subpart 1)

1987 Authorization: --- 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$750,000	$718,000	---	---	---

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986. No new authorizing legislation is proposed.

Purpose and Method of Operation

Upon receipt of a request from the Robert A. Taft Institute of Government in New York, a dollar-for-dollar matching grant is provided to the Institute to assist in developing education programs to train elementary and secondary teachers in the principles of democracy and the governmental and political processes of the United States.

Accomplishments

A $750,000 grant was awarded under this authority to the Robert A. Taft Institute of Government in 1983 and in 1985.

1987 Budget Proposal

For the Robert A. Taft Institute of Government, no funds are requested. This is the same as the 1986 revised request, and $718,000 less than the 1986 appropriation after sequestering.

The Taft Institute has sponsored a variety of programs for over 20 years. In that time, Federal support for these activities has been minimal. Given this history, the Taft Institute will be able to continue its work without additional Federal support.

8. Special grants: c. Center for excellence in education
(Human Services Reauthorization Act, Title V)

1987 Authorization: --- 1/

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$6,000,000	$5,742,000	---	---	---

1/ This was a one-time only authorization.

Purpose and Method of Operation

Under a one-time authorization, the Department may provide up to $6,000,000 in financial assistance to Indiana University in Bloomington, Indiana to pay the Federal share of the cost of the construction and related costs for the Center for Excellence in Education. The Center is to be used as a national research and training resource for individuals who intend to become exemplary elementary and secondary school teachers and administrators. The Federal share of the cost of the facility is not to exceed 50 percent.

Accomplishments

Fiscal year 1986 is the first year in which funds have been appropriated for this activity. Thus, the Department has not had an opportunity to observe or evaluate the results of activities carried out under this authority.

1987 Budget Proposal

For the Center for Excellence in Education, no funds are are requested. This is the same as the 1986 revised request, and $5,742,000 less than the 1986 appropriation after sequestering.

Currently, there are a wide variety of Federal and non-Federal sources of financial support for research and training in the field of teaching. Thus, a non-competitive grant to a specific institution of higher education to create a Center such as this is unnecessary and duplicative.

Tuesday, April 15, 1986.

HIGHER EDUCATION FACILITIES LOANS AND INSURANCE

WITNESSES

C. RONALD KIMBERLING, ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

SALLY K. KIRKGASLER, DIRECTOR, OFFICE OF POLICY DEVELOPMENT, OFFICE OF POSTSECONDARY EDUCATION

WILLIAM DINGELDEIN, DEPUTY DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION

JOHN S. HAINES, DIRECTOR, POSTSECONDARY ANALYSIS DIVISION, OFFICE OF PLANNING, BUDGET AND EVALUATION

Statement of the Assistant Secretary

Mr. Natcher. At this time, we take up the budget request for fiscal year 1987 for Higher Education Facilities Loans and Insurance. We have before the committee Dr. C. Ronald Kimberling, Assistant Secretary for Postsecondary Education.

Tell us who you have with you at the table there.

Dr. Kimberling. On my far left is Mr. Richard Hastings, Director, Debt Collection and Management Assistance Service, Office of Postsecondary Education; to my immediate left, Ms. Sally Kirkgasler, Director, Office of Policy Development, OPE; to my immediate right, Mr. William Dingeldein, Deputy Director, Budget Service, Office of Planning, Budget and Evaluation; and to his right, Dr. John Haines, Director, Postsecondary Analysis Division, OPBE.

[The statement of Mr. Kimberling follows:]

DEPARTMENT OF EDUCATION

Fiscal Year 1987 Budget Request

for

Higher Education Facilities Loans and Insurance

Witnesses appearing before the
House Subcommittee on Labor-HHS-Education Appropriations

C. Ronald Kimberling
Assistant Secretary for Postsecondary Education

accompanied by

Sally K. Kirkgasler, Director, Office of Policy Development, Office of Postsecondary Education

William Dingeldein, Deputy Director, Budget Service, Office of Planning, Budget and Evaluation

John S. Haines, Director, Postsecondary Analysis Division, Office of Planning, Budget and Evaluation

DEPARTMENT OF EDUCATION

Office of Postsecondary Education

Biographical Sketch

NAME : C. Ronald Kimberling

POSITION : Assistant Secretary for Postsecondary Education

BIRTHPLACE AND DATE : Cleveland, Ohio
September 24, 1950

EDUCATION : California State University, Northridge, Calif. 1972, B.A.
University of Southern California, Los Angeles, Calif., 1974, A.M. in American Studies
California State University, Northridge, Calif. 1977, A.M. in Mass Communication: Journalism
University of Southern California, Los Angeles, Calif., 1977, A.M. in English
University of Southern California, Los Angeles, Calif., 1981, Ph.D. in English

EXPERIENCE :

PRESENT : Assistant Secretary for Postsecondary Education

1985 - 1986 : Acting Assistant Secretary for Postsecondary Education
1982 - 1985 : Deputy Assistant Secretary for Higher Education Programs, Office of Postsecondary Education, U. S. Department of Education
1982 - 1982 : Executive Secretary, Office of the Secretary, U. S. Department of Education
1981 - 1982 : Deputy Executive Secretary, Office of the Secretary, U. S. Department of Education
1978 - 1981 : Director of Enrollment Services, University of Southern California, Los Angeles
1975 - 1979 : Assistant Professor, Department of Journalism, California State University, Northridge
1973 - 1978 : Teaching Assistant, Department of English, University of Southern California, Los Angeles
1972 - 1974 : Editor/News Reporter, City News Service, Los Angeles, California
1972 - 1973 : News Director, KCSN-FM, Northridge, California

ACADEMIC AND PROFESSIONAL MEMBERSHIPS : American Association of Collegiate Registrars and Admissions Officers
Popular Culture Association
Kappa Tau Alpha-Journalism Honor Society
Phi Kappa Phi Honor Society

DEPARTMENT OF EDUCATION

Statement by the

Assistant Secretary for Postsecondary Education

on

Higher Education Facilities Loans and Insurance

Mr. Chairman and Members of the Committee:

I am pleased to have this opportunity to appear before you to present the fiscal year 1987 request for Higher Education Facilities Loans and Insurance. We are requesting $19.2 million this year under the program's annual appropriation authority, an increase of $1.2 million over the fiscal year 1986 level. No funds are requested under the permanent appropriation authority, and no new loan authority is being proposed.

During the period of substantial higher education enrollment growth in the 1960s, this program provided hundreds of long-term, low-interest loans to colleges and universities to finance academic facilities construction and renovation. Most of these loans are still outstanding, and an annual appropriation is needed to meet the operating costs associated with this portfolio. The program has a "built-in" operating deficit which results from the interest being paid by institutions on their facilities loans being substantially lower than the interest rate at which the revolving fund reimburses the Treasury for loan capital.

Under Higher Education Act reauthorization, we are proposing that legislative authority for making new loans be repealed entirely. We do not believe that the Federal Government should assume responsibility for financing the capital outlay needed to generally maintain the physical plant of institutions of higher education. This is the responsibility of the institutions themselves, State and local governments, and private sector users and beneficiaries of higher education services. To the limited extent that the Federal Government has an interest in higher education infrastructure, it relates to specialized research and development facilities and equipment. In this instance, however, other Federal funds are available through the broader and more appropriate research and development authorities of agencies such as the National Science Foundation, the Defense, Energy, and Agriculture Departments, and the National Institutes of Health.

The need for general classrooms and related academic space has greatly diminished, and is projected to diminish even further as postsecondary enrollments decline. Moreover, the improved state of the economy has helped to reduce the need for general-purpose facilities assistance. Deferred maintenance--the source of much of the need for general facilities renovation over the past few years --became a problem because institutional budgets were being strained by high inflation, rapid increases in energy costs, and a general decline in discretionary resources at the State and local levels.

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These conditions have happily been reversed, however, and institutions are now in a better position to adequately maintain their physical plants.

This concludes my remarks. My colleagues and I will be happy to answer any questions you may have.

REAUTHORIZATION PROPOSAL

Mr. NATCHER. What legislative changes, if any, are you proposing with regard to reauthorization of the Higher Education Facilities Loans and Insurance Program?

Dr. KIMBERLING. Mr. Chairman, we have submitted legislation which would not permit any new loans under this component, but it would provide the necessary authority for the Secretary to continue to honor existing obligations under loans that were previously made.

NEED FOR HIGHER EDUCATION FACILITIES LOANS

Mr. NATCHER. What data do you have showing the need for loans under the Facilities Loans and Insurance Program?

Dr. KIMBERLING. Mr. Chairman, although there is some evidence of a need for facilities money in higher education, it is our feeling that in view of the private lending and bond markets with currently lower interest rates, combined with the increases in tuition on many campuses, and combined with support for research facilities from a number of other Federal agencies—this combination of factors can serve to take care of the existing needs.

RETIREMENT OF PROGRAM DEBT

Mr. NATCHER. What is the current schedule for redeeming the outstanding debt in the revolving fund that is owed to the Treasury and the Government National Mortgage Association?

Dr. KIMBERLING. The GNMA redemption will be completed by 1988. There is $20 million planned as a transfer in fiscal year 1986, and another $20 million in fiscal year 1987 towards this debt redemption.

There are some GNMA participation sales fund certificates that mature in fiscal year 1987—$20.860 million worth. We plan to redeem those maturing certificates, leaving a smaller outstanding balance in fiscal year 1988.

Mr. NATCHER. Does the Department of Education have the authority to delay indefinitely the amortization of this debt?

Dr. KIMBERLING. To the best of my understanding, we do not, Mr. Chairman, but we can certainly examine that.

Dr. Haines?

Dr. HAINES. There is a minimum amount that needs to be transferred every year under trust agreement, so it is something that can't be put off forever, and transfer of some minimum amount can't be put off at all.

REVOLVING FUND BALANCE

Mr. NATCHER. If amortization were postponed for 1987, what would be the unobligated balance in the revolving fund? Do you have a figure on that?

Dr. KIMBERLING. Our 1987 plan shows an unobligated balance at the end of the year of $6.2 million, Mr. Chairman. Because we planned during that year to transfer some $20 million to GNMA, it would be the $20 million plus the $6.2 million figure, or about $26.2 million in the black.

USE OF FUND BALANCE FOR NEW LOANS

Mr. NATCHER. Could the entire amount be used for additional new loan commitments?

Dr. KIMBERLING. This particular authority, Mr. Chairman, has not been exercised, except I believe in two years since 1973. It currently has a four percent interest rate and very, very significant subsidy costs over the long amortization period, when the loans are paid back.

In our opinion, we would not like to see new loan authority under the facilities program.

LOAN PREPAYMENTS

Dr. NATCHER. What success have you had under this program for discounting loans in exchange for pre-payment?

Dr. KIMBERLING. We have only had very limited success under the Title VII loan authority, Mr. Chairman, because the law currently prescribes a fixed discount rate of 25 percent.

Some years back, there were approximately 17 institutions that participated, and I believe we have had two or three more in the last couple of years—mostly piggybacking on a more expansive authority under the College Housing program.

We favor broadening the discount authority and making it congruent with the broader authority we now enjoy as part of the College Housing program. We feel the interest would pick up significantly if it moved away from a fixed rate.

Dr. NATCHER. Are you planning to continue the pre-payment provision during 1987?

Dr. KIMBERLING. Yes, we are, and we have proposed that the discount authority be changed, so it is broader in scope and allows a calculation based upon present value rather than a fixed rate.

Mr. NATCHER. Provide for the record a list of the institutions that have made use of this provision.

[The information follows:]

ACADEMIC FACILITIES LOAN PREPAYMENTS

A list of the institutions having prepaid their academic facilities loans at a discount is being provided and will be available in the Subcommittee's files.

LOAN DEFAULTS

How many institutions are behind schedule, or in default on their loan repayments under Facilities Loans and Insurance Programs?

Dr. KIMBERLING. I believe Mr. Hastings can speak to that question. I have the total amounts in default. Currently—no, I have the number of defaults right here.

At the close of 1985, 32 issues were delinquent, or in default. That reflected a total default volume of about $30 million against a total outstanding volume of about $356 million.

Mr. NATCHER. What action are you taking to attempt the collection of these debts?

Dr. KIMBERLING. I believe Mr. Hastings can describe this. He is known throughout the Government as the wizard of collections.

Mr. **Hastings**. The Government is usually not in a very good position when we get into these situations. We may not even own the land underneath the buildings, in some cases. What we attempt to do is convince the school to become current on payments in arrears.

If that is impossible because of the current financial situation, we look at alternative means that may be available such as use of external funds that might be available to the school, and failing that, we look at workout arrangements which might call for recasting the note with the institution. There is always the possibility of foreclosure, which is something we don't readily want to do, because we are usually in such a poor situation attempting to dispose of the real estate.

Dr. **Kimberling**. From fiscal year 1985 to fiscal year 1986, we expect to lower the default volume by nearly $6 million, and the default rate from 8.4 percent to 7.1 percent.

Mr. **Natcher**. Mr. Conte?

Mr. **Conte**. I will submit my questions for the record.

Mr. **Natcher**. Mr. Kimberling, we want to thank you and your associates for appearing before our committee at this time on behalf of your budget request for Higher Education Facilities Loans and Insurance.

[The following questions were submitted to be answered for the record:]

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HIGHER EDUCATION FACILITIES LOANS AND INSURANCE

Mr. Conte: Why does this appropriation account need an increase in fiscal year 1987?

Dr. Kimberling: The 1987 appropriation request of $19.205 million (which represents an increase of $1.314 million over the 1986 comparably adjusted, post-sequester level of $17.891 million) is needed to help meet operating and other program costs expected to exceed the resources of the revolving fund. The fund's resources (which include unobligated balances, school repayments on prior-year loans, investment income on Government National Mortgage Association (GNMA) trust fund holdings, and new appropriations) are used to pay interest expenses on Treasury-provided loan capital, interest expenses on GNMA participation certificates (the proceeds of which were also used to finance prior-year loans) as well as funds transfers to the GNMA participation sales fund to amortize principal debt on these certificates, and various fiscal service and facilities management expenses incurred in administering the program's existing loan portfolio.

While 1987 program income is expected to remain about the same as in 1986, we estimate that the revolving fund will start the fiscal year with a significantly smaller unobligated balance with which to finance some of its costs (such balance planned to be depleted by about $3.141 million this year). Primarily, it is this 1986 depletion of the fund's carryover balance that accounts for the need for a slightly increased 1987 appropriation level.

Mr. Conte: What is the total amount of loan repayments expected in fiscal year 1986?

Dr. Kimberling: In fiscal year 1986, we expect to collect $17.226 million in principal repayments and $10.420 million in accrued interest, for total loan payments of $27.646 million.

Mr. Conte: What is done with these funds?

Dr. Kimberling: Principal repayments and interest revenue earned and collected on the existing portfolio of academic facilities loans is used to help pay some of the program's operating costs--primarily, interest on Treasury-provided loan capital.

Mr. Conte: What legislative changes has the Department put forward on this program now that we're in the year of the Higher Education Reauthorization?

Dr. Kimberling: In consideration of the several factors most relevant to the need for higher education academic facilities (or, as the current situation happens to be, the greatly diminished need) and the Federal role in providing general-purpose support in this area--such considerations being principally the decline in full-time college enrollments, the generally adequate availability and condition of the private lending and bond markets, and the Federal Government's current strong interest in restraining discretionary and unnecessary spending--the Department's legislative policy for this program is as follows:

Loan authority--Under the Department's Higher Education Act (HEA) reauthorization proposal, authority for making new loans under this program would be repealed. This loan assistance is simply not needed, is certainly not a Federal priority, and in any event, is unnecessarily, excessively, and expensively subsidized.

Loan administration--Only those few statutory authorities needed to provide a legal and operational framework for continued management and servicing of the existing loan portfolio would be extended--and, in some cases, strengthened.

We are proposing to provide for negotiable-rate prepayment discounting for academic facilities loans substantially similar to the existing authority for housing loans. Under current law, there is available for this program only fixed-rate (25 percent) prepayment discounting--a discounting that fails to protect the Federal Government's financial interests in some cases (where the "present value" of an outstanding loan exceeds 75 percent of the loan's remaining principal liability), while also failing to provide adequate institutional incentive for prepayment in other cases (where a loan's present value falls short of 75 percent of remaining principal liability).

We are also proposing to explicitly prohibit loan prepayments from being made with the proceeds of tax-exempt obligations, and we are proposing a clear prohibition on the discounting of loans that have been outstanding for fewer than five years preceding prepayment. We consider these two provisions necessary to more fully protect the Federal Government's financial interest in granting loan prepayment discounts.

A prohibition on financing prepayments with tax-exempt proceeds would prevent an institution from reaping a double Federal subsidy--both an agreement on a discounted prepayment amount that effectively accelerates capture of a substantial loan subsidy and a Federal tax exemption on the financial instrument used to raise the capital to secure that discounting.

The prohibition on prepayment discounting of recent loan issues would serve to discourage an institution from unnecessarily or even abusively applying for a loan in one year with the express intention of securing discounting in the near-term.

Mr. Conte: Are any of those proposals incorporated in either of the two bills we've got going?

Dr. Kimberling: Yes, some of them are. Both the House-passed and Senate Committee-reported HEA reauthorization bills (H.R. 3700 and S. 1965, respectively) would extend this program's authority for prepayment discounting and would amend the authority in ways substantially consistent with what the Department is proposing.

DEPARTMENT OF EDUCATION

Higher Education Facilities Loans and Insurance

Fiscal Year 1987 Budget Request — Page No.

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HIGHER EDUCATION FACILITIES LOANS AND INSURANCE

For the payment of principal and interest, including interest insufficiencies, as authorized by the Department of Health, Education, and Welfare Appropriation Act, 1968, on account of outstanding beneficial interests or participations held by the Government National Mortgage Association, as trustee, on behalf of the Department of Education, and issued pursuant to the Participation Sales Act of 1966 (section 302(c) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1717(c)), and for the payment of interest to the Treasury as required by title VII, part C, section 733(b)(2) of the Higher Education Act, as amended (20 U.S.C. 1132d-2(b)(2)), [$17,996,000] $19,205,000, to remain available until expended. The Secretary is hereby authorized to make such expenditures, within the limits of funds available under this heading and in accord with law, and to make such contracts and commitments without regard to fiscal year limitation, as provided by section 104 of the Government Corporation Control Act (31 U.S.C. 9104), as may be necessary in carrying out the program set forth in the budget for the current fiscal year. For the fiscal year [1986] 1987, no new commitments for loans may be made from the fund established pursuant to title VII, section 733 of the Higher Education Act, as amended (20 U.S.C. 1132d-2). (Department of Education Appropriation Act, 1986.)

Higher Education Facilities Loans and Insurance

Language Analysis

Language Provision	Explanation
For the fiscal year [1986] 1987, no new commitments for loans may be made from the fund established pursuant to title VII, section 733 of the Higher Education Act, as amended (20 U.S.C. 1132d-2).	This language continues the current prohibition on new loan commitments, thereby directing available resources of the revolving fund (which includes new budget authority as well as program income) only toward payment of mandatory program operating costs and amortization of outstanding program debt.

Higher Education Facilities Loans and Insurance

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual	$14,194,000	$17,996,000	$19,205,000
Permanent (indefinite)	---	---	---
Sequester order	---	-5,000	---
Subtotal, appropriation	14,194,000	17,991,000	19,205,000
Comparative transfer to:			
Salaries and Expenses for loan servicing	-75,000	-100,000	---
Subtotal, adjusted budget authority	14,119,000	17,891,000	19,205,000
Receipts and reimbursements from:			
Federal funds:			
Investment income from GNMA participation sales fund	6,307,000	7,775,000	8,137,000
Non-Federal sources:			
Loan repayments and prepayments	17,266,000	17,226,000	17,193,000
Interest revenue	12,095,000	10,420,000	9,904,000
Unobligated balance, start of year	3,710,000	9,064,000	5,923,000
Unobligated balance transferred to GNMA participation sales fund	-11,320,000	-20,000,000	-20,000,000
Unobligated balance transferred from GNMA participation sales fund	---	---	20,860,000 1/
Unobligated balance, end of year	-9,064,000	-5,923,000	-6,211,000

Higher Education Facilities Loans and Insurance

Amounts Available for Obligation — Continued

Redemption of GNMA participation certificates...........	—	—	-$20,860,000 1/
Total obligations 2/......	$33,113,000	$36,453,000	34,151,000

1/ In 1987, $20,698,000 of the program's GNMA participation certificates will mature—requiring their principal redemption to be financed with fund resources. Accordingly, $20,698,000 of the program's deposits in the GNMA participation sales fund (funds transferred in prior years in preparation for certificate redemptions) will be transferred back to the program in 1987 to redeem the maturing certificates.

2/ Adjusted for comparability. Excludes $75,000 in 1985 and $100,000 in 1986 for loan servicing activities transferred to the Salaries and Expenses account in 1987.

Higher Education Facilities Loans and Insurance

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. Interest expenses on Treasury loan capital:				
Budget authority............	$1,019,000	$1,019,000	$1,019,000	---
(Obligations)...............	(29,932,000)	(29,932,000)	(29,932,000)	($28,143,000)
2. Interest expenses on GNMA participation certificates:				
(Obligations)...............	(6,508,000)	(6,508,000)	(6,508,000)	(5,991,000)
3. Loan servicing and facilities management expenses:				
Budget authority............	118,000	113,000	13,000	---
(Obligations)...............	(118,000)	(113,000)	(13,000)	(17,000)
4. Transfer of funds to GNMA participation sales fund:				
Budget authority............	16,859,000	16,859,000	16,859,000	19,205,000
(Amount transferred)........	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)
Total budget authority.....	17,996,000	17,991,000	17,891,000	19,205,000
(Total obligations)........	(36,558,000)	(36,553,000)	(36,453,000)	(34,151,000)
(Total debt transfers).....	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)

NOTES

3. Reflects comparability adjustment of $100,000 for loan servicing activities transferred to the Salaries and Expenses account in 1987.

Higher Education Facilities Loans and Insurance

Budget Authority by Object

	1985	1986	1987
Other services: 1/			
Budget authority............	—	$13,000 2/	—
(Obligations)...............	($18,000)	(13,000)	($17,000)
Interest and dividends:			
Budget authority............	—	1,019,000	—
(Obligations)...............	(33,095,000)	(36,440,000)	(34,134,000)
Transfer of funds to GNMA participation sales fund: 3/			
Budget authority............	11,320,000	16,859,000	19,205,000
(Debt transfers)............	(11,320,000)	(20,000,000)	(20,000,000)
Undistributed.................	2,799,000	—	—
Total, budget authority by object 1/..............	—	1,032,000 2/	—
Total, budget authority (debt transfers)..........	11,320,000	16,859,000	19,205,000
Total, undistributed budget authority..........	2,799,000	—	—
(Total obligations)1/.....	(33,113,000)	(36,453,000)2/	(34,151,000)
(Total debt transfers)....	(11,320,000)	(20,000,000)	(20,000,000)

1/ Adjusted for comparability. Excludes $75,000 in 1985 and $100,000 in 1986 for loan servicing activities transferred to the Salaries and Expenses account in 1987.

2/ Reflects a reduction of $5,000 in new budget authority available for payment of loan servicing and facilities management expenses related to Federal administration of the existing loan portfolio. This reduction is pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

3/ This item is not considered an obligation, and therefore, cannot be included under any object class. A portion of loan repayments and other income is transferred to the GNMA participation sales fund for the purpose of amortizing the program's outstanding debt on participation certificates, which are scheduled to be redeemed in 1987 and 1988.

Higher Education Facilities Loans and Insurance

Summary of Changes

1986 Estimate 1/	$17,896,000
(Obligations)1/	(36,458,000)
1986 Sequester order	-5,000
(Obligations)	(-5,000)
Total estimated budget authority	17,891,000
(Total obligations)	(36,453,000)
1987 Request	19,205,000
(Obligations)	(34,151,000)
Net change	+1,314,000
(Obligations)	(-2,302,000)

1/ Adjusted for comparability. Excludes $100,000 for loan servicing activities transferred to the Salaries and Expenses account in 1987.

	1986 base 1/	Change from base
Increase:		
Built in:		
1. Transfer of funds to GNMA participation sales fund--In view of the approaching 1987 and 1988 maturity of the program's outstanding GNMA participation certificates (public securities sold to investors to raise loan capital) and the need to redeem these certificates on a timely basis (thereby, extinguishing the program's remaining GNMA borrowing liability), a larger sum needs to be transferred to the trust funds in 1987 in order to finance the redemptions	$16,859,000	+$2,346,000

1/ Reflects a reduction of $5,000 in new budget authority available for payment of loan servicing and facilities management expenses related to Federal administration of the existing loan portfolio. This reduction is pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

Higher Education Facilities Loans and Insurance

Summary of Changes -- Continued

	1986 base	Change from base
Decreases:		
Built in:		
1. Interest expenses on Treasury loan capital--As outstanding loans are gradually repaid (with no new loan disbursements being made), the net amount of outstanding loan capital decreases, as does the interest payment on that capital. This will result in a decrease in obligations for this program operating cost.....	$1,019,000 (29,932,000)	-$1,019,000 (-1,789,000)
2. Interest expenses on GNMA participation certificates--As a portion of the program's outstanding GNMA participation certificates mature and are redeemed at about the midpoint of 1987, the average principal amount of certificates outstanding during the year (on which interest is paid) will decrease, as will the interest payment itself.....	--- (6,508,000)	--- (-517,000)
Program:		
1. Facilities management expenses--Although the amount of this program operating cost will not change, program income will provide complete reimbursement..................	13,000 (13,000)	-13,000 (+4,000)
Subtotal.....................		-1,032,000 (-2,302,000)
Net change................... (Obligations)...............		+1,314,000 (-2,302,000)

Higher Education Facilities Loans and Insurance

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized 1/	1987 Authorized
1. Operating costs 2/	Higher Education Act of 1965, Title VII, Part C	$80,000,000 3/	To be determined 4/
Unfunded authorizations:			
New loan commitments	Higher Education Act of 1965, Title VII, Part C	--- 3/	--- 4/
Participation sales insufficiencies	Participation Sales Act of 1966 (section 302(c) of the Federal National Mortgage Association Charter Act); HEW Appropriation Act of 1968	Indefinite	Indefinite
Total definite authorizations...........		80,000,000 3/	To be determined 4/

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

2/ Includes interest expenses on Treasury-provided loan capital as well as loan servicing and facilities management expenses.

3/ A total of $80,000,000 is authorized for both new loans and program operating costs.

4/ Pending submission of proposed legislation.

Higher Education Facilities Loans and Insurance

Table of Estimates and Appropriations

	Budget Estimate to Congress 1/2/	House Allowance 1/2/	Senate Allowance 1/2/	Appropriation 1/2/
1978	$1,847,000	$1,847,000	$1,847,000	$1,847,000
1979	2,204,000	2,204,000	2,204,000	2,204,000
1980	2,189,000	2,189,000	2,189,000	2,189,000
1981	1,656,000	1,656,000	1,656,000	1,656,000
1982	1,350,000	1,350,000	48,849,000	11,096,000
1983	20,143,000	20,143,000	20,143,000	20,143,000
1984	19,846,000	19,846,000	19,846,000	19,846,000
1985	14,194,000	14,194,000	14,194,000	14,194,000
1986	17,996,000	17,996,000	17,996,000	17,996,000
1986 Sequester	-5,000			
1987	19,205,000			

1/ Excludes permanent indefinite appropriation for payment of participation sales insufficiencies under the Participation Sales Act of 1966 and the HEW Appropriation Act of 1968.

2/ If adjusted for comparability, the following amounts would be excluded for loan servicing activities transferred to the Salaries and Expenses account in 1987: $75,000 in 1985, $100,000 in 1986.

Higher Education Facilities Loans and Insurance

Account Summary

	1985	1986	1987
1. Interest expenses on Treasury loan capital:			
Budget authority.........	—	$1,019,000	—
(Obligations)...........	($26,587,000)	(29,932,000)	($28,143,000)
2. Interest expenses on GNMA participation certificates:			
(Obligations)...........	(6,508,000)	(6,508,000)	(5,991,000)
3. Facilities management expenses: 1/			
Budget authority.........	—	13,000 2/	—
(Obligations)...........	(18,000)	(13,000)	(17,000)
4. Transfer of funds to GNMA participation sales fund:			
Budget authority.........	11,320,000	16,859,000	19,205,000
(Amount transferred).....	(11,320,000)	(20,000,000)	(20,000,000)
5. Undistributed budget authority.........	2,799,000	—	—
Total budget authority 1/............	14,119,000	17,891,000 2/	19,205,000
(Total obligations)1/...	(33,113,000)	(36,453,000)	(34,151,000)
(Total transfers).......	(11,320,000)	(20,000,000)	(20,000,000)

1/ Adjusted for comparability. Excludes $75,000 in 1985 and $100,000 in 1986 for loan servicing activities transferred to the Salaries and Expenses account in 1987.

2/ Reflects a reduction of $5,000 in new budget authority available for payment of loan servicing and facilities management expenses related to Federal administration of the existing loan portfolio. This reduction is pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

This account is designed to support financing for the construction, renovation, and equipping of college and university academic facilities through direct, subsidized loans made from a revolving fund. This financing is intended to help States, local communities, and individual higher education institutions to (1) accommodate enrollment increases, (2) maintain and expand research facili-

Higher Education Facilities Loans and Insurance

Account Summary -- Continued

ties, (3) support energy conservation rehabilitation of existing facilities, and (4) upgrade existing facilities to meet various Federal, State, and local structural requirements relating to health, safety, and accessibility to the handicapped.

Eligible applicants are institutions of higher education and certain higher education building agencies. Loans may be provided for amounts of up to $5 million (representing no more than 80 percent of a project's total costs) at a four percent interest rate and with repayment terms of up to 30 years. Currently, however, the program simply manages and services the existing portfolio of prior year loans.

Financing for the revolving fund (i.e., loan capital and program operating costs) has been provided both with direct appropriations and through the marketing of Government National Mortgage Association public securities (certificates of participation in the program's loan portfolio). New loan commitments may be made from the revolving fund's available resources (loan repayments and other income in excess of program operating costs). However, the authorized level of new loans must be specified each year in appropriation language. No new loan commitments have been made since 1981. The loan insurance authority has never been funded.

Credit assistance activity under this program has been carried out in order to provide higher education construction financing on more favorable terms than has been otherwise available through the private sector. The program has not been intended to correct an identified capital market imperfection, but rather has simply been substituted for private financing (and has been provided on significantly more flexible terms and at a substantial subsidy).

In the private sector, financing for similar higher education construction/renovation purposes has typically been secured through several different means (including various commercial lending instruments, as well as construction bonds) depending on the purpose, amount, and desired repayment terms for the financing. In consideration of (1) typical, currently available interest rates for commercial construction loans (available only for smaller amounts and with five to 10-year maturities) and for construction/utility bonds and similar instruments of obligation (marketed for larger amounts and with 10 to 30 year maturities), (2) the wide range of institutional borrowers served by the program (particularly, with respect to credit-worthiness), and (3) certain "premium" financing features of this Federal credit assistance, it is estimated that the level of "public subsidy" (the present value of the borrowing subsidy provided over the life of a current-year loan disbursement) ranges anywhere from 35.64 percent of principal loan value (when compared to borrowing costs under a several hundred thousand dollar, five to 10-year commercial loan) to 37.38 percent of principal loan value (when compared to 30-year tax-exempt bond financing) to to 53.92 percent of loan value (when compared to 30-year taxable bond financing). (In other words, the subsidy on every $100 of loan proceeds (at a four percent interest rate) is estimated to be worth anywhere from $35.64 to $53.92 in current dollars.)

Higher Education Facilities Loans and Insurance

1. Higher Education Facilities Loans and Insurance
(Participation Sales Act of 1966; HEW Appropriation Act of 1968; and additional proposed legislation)

1987 Authorization: To be determined 1/

Budget Authority:

	1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate 2/	1987	Increase or Decrease
Annual Appropriation (Definite).......	$17,996,000	$17,991,000	$17,891,000	$19,205,000	+$1,314,000
Permanent Appropriation (Indefinite).....	---	---	---	---	---
Total...........	17,996,000	17,991,000	17,891,000	19,205,000	+1,314,000
(Obligations)....	(36,558,000)	(36,553,000)	(36,453,000)	(34,151,000)	(-2,302,000)

1/ The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

2/ Adjusted for comparability. Excludes $100,000 in 1986 for loan servicing activities transferred to the Salaries and Expenses account in 1987.

Purpose and Method of Operation

The Higher Education Facilities Loans and Insurance program is designed to support financing for the construction, renovation, and equipping of college and university academic facilities. This financing is intended to help States, local communities, and individual higher education institutions to (1) accommodate enrollment increases, (2) maintain and expand research facilities, (3) support energy conservation rehabilitation of existing facilities, and (4) upgrade existing facilities to meet various Federal, State, and local structural requirements relating to health, safety, and accessibility to the handicapped.

Direct, subsidized loans may be made from a revolving fund to institutions of higher education and certain higher education building agencies. Loans may be made for amounts of up to $5 million (representing no more than 80 percent of a project's total costs) at a four percent interest rate and with repayment terms of

Higher Education Facilities Loans and Insurance

1. Higher education facilities loans and insurance

Purpose and Method of Operation — Continued

up to 30 years. Currently, however, the program simply manages and services the existing portfolio of prior year loans (which includes carrying out loan collection and property disposition activities).

The level of new loans that may be made from the revolving fund each year requires authorization in congressional appropriation language. Commitments for new loans are made in one fiscal year for disbursement in succeeding fiscal years, whereas operating expenses are primarily current-funded.

The revolving loan fund is made up of the following: direct appropriations to finance loans and to pay for program operating costs (more than $736 million has been provided since the program's inception); principal repayments and interest revenue on prior year loans; funds obtained through the sale of "beneficial interests" or "participations" in the loan portfolio, marketed through the Government National Mortgage Association (GNMA), as trustee (during fiscal years 1967 and 1968, a cumulative total of $200 million in these public securities was sold and about $108 million remains outstanding); and investment income from the GNMA participation sales fund (which holds principal repayments on loans pledged as collateral for the participation certificate sales as well as additional funds transfers, as needed).

Funds flow from the revolving loan fund for the following: disbursements for new loans; interest expenses on Treasury-provided loan capital; interest expenses on GNMA participation certificates (the proceeds of which were also used to finance prior year loans) as well as funds transfers to the GNMA participation sales fund to amortize principal debt on these certificates; and various fiscal service and facilities management expenses incurred in administering the program's existing loan portfolio.

Interest revenue on loans financed with appropriated capital (averaging about 3 percent) is less than the interest rate paid by the program to Treasury on the net appropriation amount (at an 11.875 percent rate in 1984, 12.5 percent in 1985, and an estimated 12.5 percent in 1986). The resulting deficit on this interest differential has been met with appropriated dollars (under an annual, definite authority).

Interest revenue on loans financed with the proceeds from GNMA participation certificate sales (also averaging about 3 percent) similarly falls short of the interest rate paid by the program on the certificates (averaging about 6 percent). In prior years, the deficit ("insufficiencies") resulting from this interest differential has been met with appropriated dollars (under a permanent, indefinite authority). Currently, the insufficiencies are being financed with available resources of the revolving fund (specifically, with investment income from the GNMA participation sales fund), and will be similarly financed in 1986 and 1987.

Higher Education Facilities Loans and Insurance

1. Higher education facilities loans and insurance

Accomplishments

During the period of substantial higher education enrollment growth in the 1960s, this program was created to help finance the construction of new academic facilities for the Nation's campuses, and also to help renovate existing facilities. Over a period of 11 years (fiscal years 1965-75), the program's revolving fund supported hundreds of direct, subsidized, long-term loans to institutions of higher education and higher education building agencies. Primarily, this institutional assistance was provided to help accommodate unusual increases in enrollment and to help maintain and expand research facilities. Also, at the direction of the Congress, several more recent loans (two each in 1978 and 1981) to specified institutions have been made from the unobligated balance then available in the revolving fund. In total, since the program's inception, over $520 million in loans has been awarded to over 660 institutions.

A credit management improvement plan for this program, including dollar targets and initiatives for the collection of outstanding loan receivables (including delinquent receivables) was developed and first implemented in 1982. Under this continuing plan, $29,154,000 was collected in fiscal year 1985 (including an estimated $17,266,000 in principal repayments, $10,016,000 in regular interest revenue, and $1,872,000 in delinquent interest). It is expected that 1986 principal and interest collections will decrease to $27,646,000, and that 1987 collections will decrease again to $27,097,000 (because of the diminishing size of the portfolio of outstanding loans).

1987 Budget Proposal

For Higher Education Facilities Loans and Insurance, $19,205,000 is requested, which is $1,314,000 more than the 1986 adjusted appropriation. This amount is requested under an annual definite appropriation (authorized to finance new loans, to pay for program operating costs, and to pay insufficiencies on certain issues of GNMA participation certificates).

This appropriation amount is needed to pay for operating costs that are in excess of the resources of the revolving fund (derived through loan repayments, interest revenue, and other income). The fund has a "built-in" operating deficit resulting from the interest rate on Treasury-provided loan capital (based on a derivative of an average Treasury bill rate—12.5 percent for 1985) being higher than the rate of interest being returned to the revolving fund on institutional loans made with these funds (averaging about three percent).

No funds are requested under a permanent indefinite appropriation (authorized to pay insufficiencies on certain other issues of GNMA participation certificates), which is the same as the 1986 appropriation action. Investment income from the GNMA participation sales fund will be used to finance these insufficiencies.

Higher Education Facilities Loans and Insurance

1. Higher education facilities loans and insurance

1987 Budget Proposal — Continued

Also, no authorization is requested to make new loans, which is the same as the 1986 appropriation action.

With respect to higher education facilities assistance generally—including that provided through this program—the Department believes that the current statutory authorities (1) are not designed to carry out an appropriate Federal role, (2) are so broad in purpose that they displace traditional and proper State, local, institutional, and private sector responsibility for providing fundamental postsecondary institutional support, (3) are unnecessarily complicated, duplicative, and administratively cumbersome, and (4) are extremely costly with excessively expensive subsidies involved.

Because loan assistance provided through this program is an extremely low Administration priority, the Department views its termination as an especially appropriate curtailment of a nonessential Federal expenditure—thereby, helping to achieve the deficit reductions required by P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985.

For the following more specific reasons, the Department believes that no further loan authority should be authorized under this program:

- No overall Federal role - The Department does not believe that it should assume any responsibility for financing the capital outlay needed to generally maintain the physical plant of institutions of higher education—especially while attempting to restrain spending. Responsibility for this type of fundamental institutional support lies with colleges and universities themselves, State and local governments, taxpayers at those levels, and private sector users and beneficiaries of higher education services.

- Limited Federal R&D role/other available agency resources - Where there is an appropriate Federal interest in higher education physical plant (i.e., important research facilities and equipment), other Federal funds are available—principally through the broader research and development (R&D) authorities of agencies such as the National Science Foundation, the Defense, Energy, and Agriculture Departments, and the National Institutes of Health. The substantial R&D programs of these agencies are the more appropriate vehicles for Federal support of the Nation's higher education research infrastructure.

  Over recent years, the Federal Government's overall investment in higher education R&D physical plant has been 40-50 times the level of this program's 1986 appropriation. This includes funding both for colleges and universities generally as well as for Federally funded research and development centers administered by institutions of higher education.

1987 Budget Proposal — Continued

In addition to the Federal program funds appropriated and obligated specifically and singularly for higher education R&D facilities and equipment, significant support is also being provided through larger and broader-purpose R&D grants. Most Federal R&D programs provide at least some limited support for capital outlay through their broader R&D agenda--especially when associated physical plant is considered essential and integral to the sponsored research itself. Generally, however, these amounts are not separately identified and cannot be ascertained with precision. Consequently, figures on total R&D infrastructure support across the Federal Government tend always to be understated.

Moreover, not only is most Federal assistance for higher education research facilities and equipment currently being awarded by other agencies, but it should remain so. Federal agencies for which scientific research is a more integral part of agency mission are in a much better position to assure that Government support for R&D physical plant effectively complements the Nation's substantial investment in R&D generally.

Furthermore, for the following reasons, any arguable need for Federal facilities assistance that may have existed previously is greatly diminished:

- Projected enrollment declines/changing enrollment demographics - The physical plant demands that colleges and universities were confronted with in the 1960s when the higher education facilities programs were created (demands engendered principally by rapidly expanding postsecondary enrollments) no longer exist.

  On a national basis, full-time postsecondary enrollments have been basically steady over recent years and are projected to begin declining slightly over the next decade. More importantly, large numbers of individual schools have already begun experiencing declines. Higher Education General Information Survey (HEGIS) enrollment data show that over the four academic year-period of Fall 1981 through Fall 1984, full-time equivalent enrollments declined at over one-third of colleges and universities.

- Improved economic conditions - The more current higher education infrastructure needs have been brought about largely because of the accumulation of years of deferred maintenance and replacement--deferrals necessitated by the unfortunate recent years of especially "lean" institutional budgets strained by high inflation, rapidly increasing energy costs, and generally declining levels of discretionary resources at State and local government levels. These circumstances have been largely remedied, however, and we have witnessed significant improvement in the financial status of colleges and universities as well as in the fiscal capacity of State and local governments, taxpayers, and the private sector for supporting these institutions.

Higher Education Facilities Loans and Insurance

1. Higher education facilities loans and insurance

1987 Budget Proposal — Continued

This general revitalization has occurred under an economic recovery program now distinguished by lower inflation, lower interest rates, lower Federal taxes, tax policies supportive of private sector/education partnerships and other such initiatives, simplified programs of Federal assistance to State and local governments, and less burdensome Federal regulation. The Nation's sustained economic performance can be expected to continue to play a large role in helping colleges and universities to address physical plant needs accumulated over the previous years of institutional fiscal restraint.

For example, the following recent findings are both relevant and noteworthy:

—Investment earnings on endowment funds - The National Association of College and University Business Officers found that over the past few years (notwithstanding a small decline in 1984), the return on investments of college and university endowment holdings has been dramatic--yielding an estimated 41.3 percent in 1983 alone. Moreover, lower inflation has magnified even further the buying power of these institutional earnings.

—Higher education philanthropy - Private giving to colleges and universities (some of which supports capital construction/renovation projects and equipment acquisition) has also been helped by the economic recovery. The Council for Financial Aid to Education (CFAE) recently reported that 1984 corporate aid to education was up 16.4 percent over the previous year (and up 82 percent since as recently as 1979). Of total education aid, CFAE reports that about $1.1 billion went to higher education--with about six percent of that amount (or about $68 million) representing capital grants, about 20 percent (or about $227 million) being gifts of company products and equipment, and about another 7.7 percent (or about $87 million) coming in unrestricted operating grants.

—State and local government revenues - The National Conference of State Legislatures reported recently that the condition of college and university facilities has become one of the new areas of focus on the higher education agenda of State lawmakers. The Department believes that it is the improved revenue condition of State and local governments (an improvement brought about largely because of the Nation's overall economic recovery) that has both encouraged and enabled lawmakers and policymakers at these levels to now begin paying more attention to this truly State and local responsibility.

o Capital recovery under energy conservation projects - With respect to energy conservation rehabilitation projects, since the cost-effectiveness of undertaking such measures can result in full recovery of capital investments within a few years, Department assistance for this type of facilities renovation should not be needed.

Higher Education Facilities Loans and Insurance

1. Higher education facilities loans and insurance

1987 Budget Proposal — Continued

In sum, we believe that higher education institutions themselves--and, as appropriate, State and local governments—are now in a better position to help finance facilities construction, and such financing is more appropriately their responsibility. Where currently available State and local tax dollars or institutional resources are not adequate, bond and commercial lending markets —which are healthy—can be tapped. In fact, the marketing of construction bonds is one of the most common manners of raising capital for facilities projects, and there is no reason that it should not remain so—especially now that the interest cost of such financing has declined significantly.

In consideration of the greatly diminished need for Federal support for higher education academic facilities, the fiscal year 1987 budget and legislative policy for this program is as follows:

- Loan commitments - No new loan commitments will be provided from the revolving fund.

- Operating costs - Principal repayments and interest revenue on prior year loans, supplemented with limited new budget authority, will be used to pay for current-year program operating costs.

- GNMA interest insufficiencies - Investment income from the GNMA participation sales fund will be used to finance interest insufficiencies on outstanding participation certificates.

- GNMA borrowing debt - All cash resources remaining available after operating costs and interest insufficiencies are paid will be transferred to the GNMA participation sales fund in further preparation for principal redemption of the program's final issues of participation certificates due to mature in 1987 and 1988.

- Loan authority—Under the Department's HEA reauthorization proposal, authority for making new loans will be repealed.

- Loan administration provisions--Only those few statutory authorities needed to provide a legal and operational framework for continued management and servicing of the existing loan portfolio will be extended—and, in some cases, strengthened (e.g., loan discounting authority will be refined to permit negotiable--rather than fixed-rate—prepayment discounts, prohibit prepayments from being made with the proceeds of tax-exempt obligations and better protect the Federal Government's financial interests in other ways).

Higher Education Facilities Loans and Insurance

1. Higher education facilities loans and insurance

Impact Data

	1985	1986 after Sequestering	1986 Revised	1987
New loan commitments	---	---	---	---
Outstanding loans (End-of-year):				
Number	567	565	565	563
Total volume	$355,957,000	$338,731,000	$338,731,000	$321,538,000
--Default volume	$29,971,000	$24,002,000	$24,002,000	$19,399,000
--% in default	8.4%	7.1%	7.1%	6.0%
Collections	$29,154,000	$27,646,000	$2[illegible]46,000	$27,097,000
--Principal	$17,266,000	$17,226,000	$17,226,000	$17,193,000
--Interest	$11,888,000	$10,420,000	$10,420,000	$9,904,000

TUESDAY, APRIL 15, 1986.

COLLEGE HOUSING LOANS

WITNESSES

C. RONALD KIMBERLING, ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

SALLY K. KIRKGASLER, DIRECTOR, OFFICE OF POLICY DEVELOPMENT, OFFICE OF POSTSECONDARY EDUCATION

RICHARD HASTINGS, DIRECTOR, DEBT COLLECTION AND MANAGEMENT ASSISTANCE SERVICE, OFFICE OF POSTSECONDARY EDUCATION

WILLIAM DINGELDEIN, DEPUTY DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION

JOHN S. HAINES, DIRECTOR, POSTSECONDARY ANALYSIS DIVISION, OFFICE OF PLANNING, BUDGET AND EVALUATION

STATEMENT OF THE ASSISTANT SECRETARY

Mr. NATCHER. At this time, we take up the budget request for the College Housing Loans. We have Dr. C. Ronald Kimberling, Assistant Secretary for Postsecondary Education.

Tell us who you have with you at the table.

Dr. KIMBERLING. Mr. Chairman, I have Mr. Richard Hastings, Director, Debt Collection and Management Assistance Service, Office of Postsecondary Education; Ms. Sally Kirkgasler, Director, Office of Policy Development, OPE; Mr. William Dingeldein, Deputy Director, Budget Service, Office of Planning, Budget and Evaluation; and Dr. John Haines, Director, Postsecondary Analysis Division, OPBE.

I will submit my statement for the record.

[The statement of Dr. Kimberling follows:]

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DEPARTMENT OF EDUCATION

Fiscal Year 1987 Budget Request

for

College Housing Loans

Witnesses appearing before the
House Subcommittee on Labor-HHS-Education Appropriations

C. Ronald Kimberling
Assistant Secretary for Postsecondary Education

accompanied by

Sally K. Kirkgasler, Director, Office of Policy Development, Office of Postsecondary Education

William Dingeldein, Deputy Director, Budget Service, Office of Planning, Budget and Evaluation

John S. Haines, Director, Postsecondary Analysis Division, Office of Planning, Budget and Evaluation

DEPARTMENT OF EDUCATION

Office of Postsecondary Education

Biographical Sketch

NAME : C. Ronald Kimberling

POSITION : Assistant Secretary for Postsecondary Education

BIRTHPLACE AND DATE : Cleveland, Ohio
September 24, 1950

EDUCATION : California State University, Northridge, Calif. 1972, B.A.
University of Southern California, Los Angeles, Calif., 1974, A.M. in American Studies
California State University, Northridge, Calif. 1977, A.M. in Mass Communication: Journalism
University of Southern California, Los Angeles, Calif., 1977, A.M. in English
University of Southern California, Los Angeles, Calif., 1981, Ph.D. in English

EXPERIENCE :

PRESENT : Assistant Secretary for Postsecondary Education

1985 - 1986 : Acting Assistant Secretary for Postsecondary Education
1982 - 1985 : Deputy Assistant Secretary for Higher Education Programs, Office of Postsecondary Education, U. S. Department of Education
1982 - 1982 : Executive Secretary, Office of the Secretary, U. S. Department of Education
1981 - 1982 : Deputy Executive Secretary, Office of the Secretary, U. S. Department of Education
1978 - 1981 : Director of Enrollment Services, University of Southern California, Los Angeles
1975 - 1979 : Assistant Professor, Department of Journalism, California State University, Northridge
1973 - 1978 : Teaching Assistant, Department of English, University of Southern California, Los Angeles
1972 - 1974 : Editor/News Reporter, City News Service, Los Angeles, California
1972 - 1973 : News Director, KCSN-FM, Northridge, California

ACADEMIC AND PROFESSIONAL MEMBERSHIPS : American Association of Collegiate Registrars and Admissions Officers
Popular Culture Association
Kappa Tau Alpha-Journalism Honor Society
Phi Kappa Phi Honor Society

121A.3

DEPARTMENT OF EDUCATION

Statement by the

Assistant Secretary for Postsecondary Education

on

College Housing Loans

Mr. Chairman and Members of the Committee:

I am pleased to have this opportunity to appear before you to present the fiscal year 1987 request for College Housing Loans. This year, as in previous years, we are requesting no budget authority and no new loan authority. In addition, we are requesting supplemental appropriation language to withdraw the 1986 post-sequester loan authority of $57.4 million.

As in prior years, the costs associated with managing and servicing existing loans, including the payment of interest insufficiencies on outstanding certificates of participation in the loan portfolio, would be financed from loan repayments and other income.

Our proposal to make no new loan commitments in 1986 and 1987 reflects our strong interest in curtailing nonessential expenditures and in eliminating unnecessary and expensive credit subsidies.

This program's revolving fund has a substantial outstanding balance of Treasury borrowings used in prior years as program loan capital. Continuing to loan these funds to colleges year after year requires the Treasury to keep outstanding a similar level of Federal borrowing from the public at the prevailing rate for long-term notes and bonds. As such, the Federal Government is effectively paying the difference between the average 3 percent interest rate on institutional loans and the prevailing interest rate for long-term Treasury borrowing. This subsidy results in a large off-budget program cost estimated at $253 million for 1985 alone. This subsidy is especially unnecessary now in view of the healthy commercial lending markets and State and local bond financing available at relatively low interest cost.

In any event, declining enrollments are reducing the need for college housing. Approximately one-third of the Nation's colleges and universities experienced enrollment declines between academic years 1981 and 1984, and at best, overall higher education enrollments are expected to remain relatively stable over the next few years.

More important, the demographics of the college-going population are continuing to change in ways that will further lessen the demand for on-campus housing. Increasingly, college and university classrooms are being filled by older students. In the fall of 1971, less than 30 percent of all college students were 25 years old or older. By 1981, nearly 40 percent of all college students were in this age bracket, and it is projected that this will increase to nearly 50 percent by 1991.

The significance of this demographic change is that older, non-traditional students rarely live on-campus. As a result, the demand for housing space can be expected to decrease even more so as these students grow to represent a larger and larger proportion of the college population.

Along with our request to discontinue all new loan assistance, the Department plans to begin packaging and selling the existing loan portfolio. We estimate that about half of the current loan assets will be sold in 1987, with an additional amount sold in 1988 such that 90 percent or more of the loan obligations will be turned over to the private sector. These loan sales will help to accelerate achievement of our objective of encouraging the private sector to be more involved in financing higher education capital outlay.

This concludes my remarks. My colleagues and I will be happy to answer any questions you may have.

NEED FOR COLLEGE HOUSING LOANS

Mr. **Natcher**. Doctor, what data do you have concerning the need for college housing loans?

Dr. **Kimberling**. We have probably more data in this area than there are in other areas, Mr. Chairman. We note that higher education enrollments, in general, have been stabilizing and are now slightly declining.

We also note that the average age of the college student is increasing, and that the percentage of part-time students is increasing, too. All of this would suggest that there will be less student demand for college housing.

We completed a report in 1982 which showed that 99 percent of the Nation's students were housed in adequate facilities.

1985 LOAN APPLICATIONS

Mr. **Natcher**. What was the total volume of the housing loans requested by institutions under this program during 1985?

Dr. **Kimberling**. There were 145 applications in fiscal year 1985 for a total request of $309.5 million.

Mr. **Natcher**. What percent were you able to fund?

Dr. **Kimberling**. We had $40 million available.

Mr. **Natcher**. Approximately.

Dr. **Kimberling**. That's roughly 15 percent.

Mr. **Natcher**. For the record, if you would, provide a list of the housing loans made during the past year.

Dr. **Kimberling**. Yes, Mr. Chairman.

[The information follows:]

Fiscal Year 1985 College Housing Loans

Housing construction projects

Institution:	*Amount*
Southwest Missouri State University	$3,499,000
Boston College	3,500,000
Southwest Texas State University	3,500,000
Catholic University	3,500,000
Atlanta University	3,500,000
Rensselaer Polytechnic Institute	3,500,000
Seton Hall University	3,500,000
Franklin College of Indiana	3,260,000
Copiah-Lincoln Junior College	2,554,000
Thiel College	100,000
Subtotal	30,413,000

Energy conservation rehabilitation projects

Institution:	*Amount*
California State University, Chico	$1,654,000
Carnegie-Mellon University	367,000
Central Michigan University	389,000
Virginia Union University	1,142,000
Alverno College	755,000
St. Thomas University	192,000
University of Central Florida	112,000
Pennsylvania College of Optometry	347,000
Fordham University	1,500,000

Energy conservation rehabilitation projects—Continued

University of Wisconsin-Stout	475,000
Lamar University	1,457,000
San Francisco State University	399,000
University of Alabama at Birmingham	100,000
Claflin College	225,000
University of New Haven	128,000
Murray State University	354,000
Subtotal	9,587,000
Total	40,000,000

RETIREMENT OF PROGRAM DEBT

Mr. **Natcher**. What is the schedule for redeeming, or amortizing, the outstanding debt of the revolving fund that is owed to the Treasury and the Government National Mortgage Association?

Dr. **Kimberling**. Final GNMA debt redemptions will take place in 1988. We have already made sufficient transfers into GNMA trust funds that will enable us to meet fully the needs to transfer funds from this account.

Mr. **Natcher**. If amortization were postponed for 1987, what would be the total unobligated balance in the revolving fund?

Dr. **Kimberling**. With your permission, we will place that in the record.

[The information follows:]

Revolving Fund Balance

The Department's borrowing debt relative to Government National Mortgage Association (GNMA) certificates of participation in the College Housing Loan portfolio has already been fully amortized (the entire $451.504 million needed to redeem the certificates in 1987 and 1988 having been transferred to GNMA trust funds by the close of fiscal year 1985). As such, there is no 1987 amortization of GNMA debt to postpone.

If the Congress approves our budget request to terminate new loan authority beginning in 1986, the unobligated balance expected to be available in the revolving fund in fiscal year 1987 is $60.923 million, start-of-year, and $72.435 million, end-of-year.

SALE OF COLLEGE HOUSING LOANS

Mr. **Natcher**. Mr. Conte?

Mr. **Conte**. The budget proposes to sell off the College Housing Loan portfolio, thereby selling off the income stream that has been used to finance new college housing loans through the revolving fund, without any need for new appropriations since 1980, thereby effectively eliminating the program. Is Congressional action or approval in any form needed before this takes place?

Dr. **Kimberling**. No, we have sufficient authority under the Housing Act of 1950 to sell our interests in this portfolio.

The reason we have not needed new appropriations is that the flow of income received from collections on both regular and defaulted loans, as well as proceeds on the sale of loans on the basis of a prepayment discount, have enabled this fund to remain solvent. While it does not require annual appropriations in order to remain solvent as a fund, we have taken out a considerable amount of borrowings from the Treasury over the past number of years, for which we are ultimately required to make repayment.

Mr. **Conte**. Do you have a general counsel or legal counsel opinion detailing the legal authority you have to do this without the prior approval of Congress?

Dr. **Kimberling**. Perhaps Mr. Hastings, who has been active in this initiative, would be aware of it.

Mr. **Hastings**. We have discussed it with our counsel's office and have been so advised, but I am not aware of a written opinion.

Mr. **Conte**. Could I ask that we have a written opinion for the record?

Dr. **Kimberling**. Surely.

[The information follows:]

Legal Authority to Sell Loans

The authority to sell College Housing Loans derives from controlling statutory provisions creating the program—more specifically, section 402(c)(6) of the Housing Act of 1950 (12 U.S.C. § 1749a(c)(6)) which authorizes the Secretary to "sell or exchange any securities or obligations, upon such terms as he may fix."

While this fundamental conclusion regarding the authority to sell these loans has been confirmed by staff of the Department's Office of the General Counsel and underlies our budget request, the formal written opinion of the General Counsel is planned to be embodied in a more detailed memorandum of counsel and advice on a broad range of loan sale issues. That memorandum should be available soon, and a copy will be provided to the Subcommittee for its files.

Of note, this authority was exercised by the program's predecessor administrative agency—the Department of Housing and Urban Development—to sell about $70 million in loan obligations in the early to mid-1960s.

PACKAGING OF LOANS FOR SALE

Mr. **Conte**. When do you plan to sell these assets?

Mr. **Hastings**. Beginning fiscal year 1987.

Dr. **Kimberling**. Currently, we are looking at the way the portfolio would need to be packaged, and under our proposal, we are not planning for a sale to take place until later in the fiscal year—not the early part, but the later part.

Mr. **Conte**. What is the portfolio at the present time?

Dr. **Kimberling**. About $2.3 billion. That is the face value of the principal that is owed, but it is amortized over about 20 years.

Roughly a billion dollars is the estimated market price; that represents current dollars, of course. When you consider the $2.3 billion is owed—

Mr. **Conte**. I think we better buy it, Mr. Chairman. We could take it right now and save you a lot of time.

Dr. **Kimberling**. Taking $1 billion today, by the time 20 years has passed, it should exceed $2.3 billion in value. That is the financial concept behind this.

Over 20 years, there would be a savings. We are paying approximately $250 million in off-budget subsidies to cover the spread between the 3 percent interest on these loans and the long-term treasury borrowing rate. This is money that is borrowed by the Treasury in the form of long-term Government instruments, so every year that goes by off-budget is costing us quite a bit.

USE OF LOAN SALE PROCEEDS

Mr. **Conte**. Let's assume you got $1 billion, what would you do with that?

Dr. KIMBERLING. My best guess is we would repay the Treasury.

Mr. CONTE. What if the proceeds are not enough to pay off the current outstanding debt to the Treasury?

Mr. DINGELDEIN. Mr. Conte, we have a legislative proposal which would allow that debt to be reduced by the amount of the discounting. The reason the debt is larger than the funds that we would have available is because when this discounting occurs, some of which already has been occurring in the program, we have not been reducing our debt to the Treasury by the same amount.

It is an accounting matter, but if we get our legislative proposal, that will take care of the problem.

Dr. KIMBERLING. One could expect to see this being done in the private sector. The interest we pay to the Treasury is only 2.75 percent. If we took $1 billion, totally in the private sector, and invested that $1 billion, we could easily leverage a sizable average return, probably in excess of 12 to 14 percent, even in a very conservative investment mode. That would realize enough compounded interest in a few years' time that it would be worth the total payoff value of the Treasury debt that is only clicking along at 2.75 percent.

So those amounts of funds somewhere down the line would meet. This is a very common practice in the private sector.

STATUS OF REVOLVING FUND

Mr. CONTE. Last year, at our hearing, you indicated that revenues and reimbursements to the loan fund were expected to exceed obligations in fiscal year 1986 by $102 million, and that this $102 million would be used to make payments against the outstanding long-term debt owed to Treasury, which there is no particular requirement to do within any particular time frame.

As a result of that indication of the soundness of the revolving fund, we increased the new loan limitation from $40 million in fiscal year 1985 to $60 million in fiscal year 1986.

According to those figures, there should still be an excess of some $42 million in revenues and reimbursements over obligations in fiscal year 1986; is that correct?

Dr. KIMBERLING. Yes, it is.

Mr. CONTE. Has there been any change in your estimates for fiscal year 1986 since last year?

Dr. KIMBERLING. Not to my recollection.

USE OF FUNDS FOR IMPACT AID DISASTER ASSISTANCE

Mr. DINGELDEIN. As you may have heard in one of the previous hearings, we do have a plan to use $20 million of these funds to make Impact Aid disaster payments. The $20 million for the Impact Aid disaster payments, would come out of that $40 million.

Mr. CONTE. That is right.

Does this mean that you now believe that unobligated balances in the College Housing Loan Fund can be used to take care of other outstanding needs in the programs run by the Department of Education?

Mr. DINGELDEIN. That would leave about $21 million for whatever purpose.

Mr. CONTE. If you could do that why couldn't you put it towards other programs, like the Pell Grants.

Dr. HAINES. No, sir, that would require a statutory change, an action by the Congress to do that.

Mr. CONTE. How can you do it in disaster account and not here?

Mr. DINGELDEIN. We have a specific law in the case of disaster assistance. I misunderstood your prior question. There would be $21 million available for other purposes within the College Housing Program, but we cannot use that money to meet needs outside the program, except in the case of Impact Aid, where we have a specific authority.

REPAYMENT OF TREASURY BORROWINGS

Mr. CONTE. Now, your budget justification indicated that compared with $41 million, you anticipate paying to Treasury from unobligated funds in fiscal year 1986, and leaving aside the Impact Aid issue, you anticipate paying back $663 million in fiscal year 1987. Does that reflect the proposal to sell off the revolving fund?

Dr. KIMBERLING. Yes, it does.

Mr. CONTE. I see.

Dr. KIMBERLING. $578 million of that figure is from loan sale proceeds.

Mr. CONTE. Assuming that you did not, or were not able to sell off the College Housing Loan Program, what level of unobligated balances do you anticipate in fiscal year 1987?

Dr. KIMBERLING. We have estimated a $578 million yield from the sale, but since it is all proposed to be repaid to Treasury, without the sale, the unobligated balance would still be our estimated $92 million.

Mr. CONTE. Which could be used for new loans?

Dr. KIMBERLING. Yes.

Mr. CONTE. Or any other purpose we may decide?

Dr. KIMBERLING. With legal authority.

RELATIVE DEMAND FOR ENERGY LOANS

Mr. CONTE. In looking at the number of applications for loans and the awards made in fiscal year 1985, it appears that the demand is much stronger for construction loans than for energy loans; is that accurate?

Dr. KIMBERLING. Yes, it is, because the construction loan maximums are significantly higher, up to $3.5 million.

Mr. CONTE. Do you think maybe it is time to do away with and abolish the set-asides for the energy loans?

Dr. KIMBERLING. Yes, I do, because one of the requirements for an energy loan is to achieve such energy cost efficiencies that it pays for itself over time. My view is, since the advantage accrues entirely to the institution, and particularly with low interest rates in the private market, that there is no real need for energy loans here.

There is also a program in the Energy Department which parallels this very similarly. Every year, we have to make sure we are not inadvertently awarding loans to the same people they are. The time for eliminating the energy authority is here, definitely.

1985 LOAN REQUESTS

Mr. CONTE. How many loan requests did you have in 1985, and how many did you make?

Dr. KIMBERLING. We had 145 requests for loans in 1985. We made 10 housing loans and 16 energy loans for a total of 26 new loans.

USE OF PROGRAM FUNDS FOR ADMINISTRATIVE EXPENSES

Mr. CONTE. I am puzzled by your request to stop using College Housing Loan funds to pay for salaries and other expenses of administering the program, and rather to take those expenses out of the Department's salaries and expenses account. The reason I am puzzled is because the loan fund is relatively rich, while the salaries and expenses account for the whole Department is much, much tighter.

Why are you proposing to put this added burden on the Department's salaries and expenses account when you are already having such trouble making ends meet there?

Dr. KIMBERLING. Well, for two reasons. Number one, with the sale of a sizable portion of the assets, our costs will actually diminish because part of the portfolio would be sold.

The more significant policy reason is that as a matter of policy, government-wide, we feel that all administrative expenditures in all agencies and departments ought to come from S&E budgets, so that we properly account for the administrative overhead government-wide.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. NATCHER. Dr. Kimberling, we want to thank you and your associates for appearing before our committee at this time on behalf of your budget request for College Housing Loans. This has been a good hearing, Dr. Kimberling. We want to thank all of you.

The committee will now adjourn until 10:00 in the morning.

[The following questions were submitted to be answered for the record:]

COLLEGE HOUSING LOANS

Mr. Natcher: According to your budget, the Department is planning to sell the existing loan portfolio of the College Housing Loans program. What specifically is involved in this sale?

Dr. Kimberling: The Department plans to begin packaging and selling the existing loan portfolio in 1987. We estimate that about half of the current loan assets will be sold in the first year, with an additional amount sold in 1988 such that 90 percent or more of the loan obligations will be turned over to the private sector. Our plan to carry out these loan sales is intended to raise short-term revenues to help reduce the Federal budget deficit, and to reduce the Department's administrative cost associated with servicing these long-term loans.

Selling these loans means transferring to private investors, in exchange for cash payment, all title and interest in and to loan obligations now held by the Department. College Housing Loan obligations are negotiable instruments and, therefore, borrowers would be required to repay their loans to any subsequent purchaser or holder. The terms and conditions of these instruments would remain intact after a sale, but would no longer apply to the Department because such terms and conditions only operate against the borrowers and holders of the instruments. For example, many of these instruments create mortgage liens--as security for repayment of the loans--in favor of the holder. When these instruments are sold, the mortgage lien is transferred to the purchaser.

Mr. Natcher: Do you have the authority to undertake the sale or do you need legislation?

Dr. Kimberling: We have been advised by our Office of the General Counsel that the Department possesses current authority to sell these loans. The authority to sell these loans derives from controlling statutory provisions creating the program. Specifically, section 402(c)(6) of the Housing Act of 1950 (12 U.S.C. §1749a(c)(6)) authorizes the Secretary to "sell or exchange any securities or obligations, upon such terms as he may fix."

This authority has been exercised previously, in fact, by the program's predecessor administrative agency--the Department of Housing and Urban Development--to sell about $70 million in loan obligations during the early to mid-1960s.

Under Section 6(b) of the Participation Sales Act of 1966 (12 U.S.C. §1717a), however, any such sale must have the approval of the Secretary of the Treasury.

Mr. Natcher: Who would undertake the sale, and what is the review procedure on establishing the appropriate sale price?

Dr. Kimberling: The Department's current plans assume that loans will be sold directly to investors, with the approval of the Secretary of the Treasury. We do, however, plan to use the services of a financial advisor/underwriter in carrying out these direct sales.

Our plans call for marketing the loans on a competitive bid basis so as to maximize the yield. Over the past several years, we have received a number of unsolicited proposals with regard to buying all or part of the portfolio. More recently, activity has intensified, and so we know that there is serious and competitive investor interest.

While there may be certain characteristics of the loan portfolio that are more important to some investors than to others, private market pricing is likely to be predicated principally on the then-current interest yields on investments of comparable amount, maturity, and investment grade. From that investment perspective, the Department has undertaken and is nearing completion of an "asset valuation" of the portfolio.

Furthermore, and as mentioned previously, the Department plans to secure the services and counsel of a financial advisor to help us prepare, package, and market the loans in the soundest manner possible. Moreover, in addition to the prudent guidance of the sales by the Department of Education (assisted by able financial and legal counsel), the Office of Management and Budget and the Department of the Treasury will perform in a financial stewardship role for the Federal Government by overseeing and ultimately approving or disapproving any sales transaction.

Mr. Natcher: Would the sale of the entire loan portfolio of the College Housing Loans program constitute the termination of program?

Dr. Kimberling: Not necessarily, although our budget and legislative policy does call for the permanent repeal of new loan authority. The ultimate disposition of loan sale proceeds and future congressional appropriation actions will be more determinative of the program's operational future than the portfolio sale decision itself. In this regard, our budget request assumes that sale proceeds will be used to retire a portion of the program's Treasury borrowing debt, and not be used to make new loans (such authority assumed to have been terminated). If the proceeds from the planned sale are used only for retirement of Treasury debt, as we propose, the Congress could still fund the program through new appropriations.

Our plan to sell the loans neither requires nor depends on congressional enactment of program repeal. Within certain limitations and conditions, the Department has authority under current law to sell any or all of the existing portfolio, and it is our firm intention to do so provided that we can market the loans at a price determined to be in the Federal Government's interest.

Mr. Natcher: What success have you had under the College Housing Loans authority for discounting loans in exchange for prepayment?

Dr. Kimberling: The Department has had a great deal of success in having institutions prepay their loans in exchange for a discount on the principal balance. This initiative, first authorized for fiscal year 1984, provides borrowers with an opportunity to extinguish substantial debt burden, while simultaneously enabling the Department to terminate these highly and expensively subsidized loans.

The following table shows the number of individual loan issues prepaid (some institutions holding a number of separate issues for the same or related projects) and the dollar amount of discounted prepayments in 1984 and 1985:

Year	Number of Loans Prepaid	Dollars Prepaid
1984	384	$169.2 million
1985	300	$129.4 million
Total	684	$298.6 million

Mr. Natcher: Are you planning to continue the prepayment provision during 1987?

Dr. Kimberling: Yes. We are requesting extension of the prepayment discounting authority through fiscal year 1991. Our request is included among the Department's Higher Education Act (HEA) reauthorization proposals, which were transmitted to the Congress on April 7 of this year, and under which authority for managing and servicing this loan portfolio would be transferred from the Housing Act of 1950 to the HEA. In addition, we are requesting that the loan discounting authority be revised to prohibit prepayments from being made with the proceeds of tax-exempt obligations, to limit prepayment discounts to loans that have been outstanding for at least five years, and--in other ways--to better protect the Federal Government's financial interests. The Department has already regulated the discount authority to prohibit use of tax-exempt proceeds and to limit the discounting of recent loans. Our legislative proposal, if enacted, would confirm our efforts in these areas.

Mr. Natcher: Are the discounts made at a fixed percentage?

Dr. Kimberling: No. Unlike with academic facilities loans, this program's prepayment discounts are not made at a fixed percentage. Rather, loan discounting authority for College Housing provides for prepayment to be in an amount that is in the Federal Government's best financial interests taking into account the yield on Treasury obligations of similar maturity (i.e., being based on the "present value" of the loan's current repayment configuration/cash flow).

Mr. Natcher: What has been done with the extra payments into the revolving fund under this provision?

Dr. Kimberling: The large volume of loan prepayments realized in fiscal years 1984 and 1985 were applied toward retirement of a portion of the program's borrowing debt. Loan capital for the revolving fund has been provided primarily through Treasury borrowings and the sale of participation certificates backed by pools of existing loans (such certificates having been sold on the program's behalf by the Government National Mortgage Association (GNMA)).

In 1987 and 1988, $451.504 million of the GNMA participation certificates will mature and are due to be redeemed (i.e., the original investors or current holders of the securities must be paid the "par" or face value of the certificates). Using mostly loan prepayment proceeds, the Department transferred $248.151 million into GNMA trust funds in preparation for the upcoming participation certificate redemptions. Another transfer of $114.147 million was made in 1985. The 1984 and 1985 funds transfers, in combination with transfers made in prior years, now total the entire $451.504 million needed for the 1987-88 retirement of the GNMA debt.

The program also borrowed, over a period of years, a little over $2.8 billion from the Treasury. Using loan prepayment proceeds, $62 million was repaid in 1985.

Mr. Natcher: Can you provide a list of the institutions that have made use of this provision?

Dr. Kimberling: A list of the institutions having prepaid their loans at a discount is being provided and will be available in the Subcommittee's files.

Mr. Natcher: How many institutions are behind schedule, or in default, on their loan repayments under College Housing Loans?

Dr. Kimberling: At the close of fiscal year 1985, 60 institutions were in principal default on loans representing a total outstanding volume of about $84.456 million (about 3.7 percent of the total outstanding loan volume). This is a marked decrease from the approximately $105.561 million in defaulted loans (about 4.0 percent of total loan volume) at the close of the preceding year. Continued declines in the default volume are expected as defaulted borrowers—most of which are under negotiated payment "workout" agreements—pay up their delinquencies and get back on schedule, thereby converting their loans from defaulted to current status.

Mr. Natcher: What procedures are being used to attempt the collection of these debts?

Dr. Kimberling: Basically, the Department follows the claims collection procedures and practices outlined in the joint General Accounting Office/Department of Justice standards.

When an institution first misses a loan payment, it is contacted to determine the reason for the delinquency. Sometimes the required payment is made almost immediately when the delinquency is brought to the borrower's attention.

If the institution is unable to pay its arrearages promptly, a "workout" agreement is negotiated. A workout is a special repayment plan designed to deal with any financial difficulties the borrower may be experiencing, while still bringing the loan back on schedule as soon as possible--generally within two years. In exceptional circumstances, a complete payment moratorium may be granted for a limited period of time.

Most defaulting institutions are placed under these workouts succesfully, and substantial volumes of previously defaulted loans are converted each year to current status (i.e., brought back on schedule). The success of workout agreements is sometimes facilitated by permitting institutions to drawdown on otherwise restricted facility reserve funds (e.g., debt reserves, maintenance and repair reserves).

In the event the Department is unable to negotiate a workout, we sometimes draw directly on the existing and available reserve funds and/or invoke a rent receivership. In the event a workout and/or other remedial action substantially fail to cure a default, foreclosure may be pursued through the Department of Justice. Typically, though, the Department has not had to resort to this action.

DEPARTMENT OF EDUCATION

College Housing Loans

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COLLEGE HOUSING LOANS

[The aggregate amount of commitments for loans made from the fund established pursuant to title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749), for the fiscal year 1986 shall not exceed the total of loan repayments and other income available during such period, less operating costs.]1/ Payments of interest insufficiencies for the fiscal year [1986] 1987 as may be required by the Government National Mortgage Association, as trustee, on account of outstanding beneficial interests or participations issued pursuant to the Participation Sales Act of 1966 (section 302(c) of the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. 1717(c))) shall be made from the fund established pursuant to title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749-1749c) using loan repayments and other income available during such fiscal year. During the fiscal year [1986 and within the resources and authority available, gross commitments for the principal amount of direct loans shall be $60,000,000] 1987, no new commitments for loans may be made from the fund.2/ The authority provided to the Secretary under section 101 of the Independent Offices Appropriation Act, 1964 (12 U.S.C. 1749d), relating to compensation and payment of fixed fees for inspections and site visits, is hereby permanently revoked. Any fixed fees remaining in the fund or paid into the fund after the enactment of this Act shall be available for other operating costs of the fund. 3/ (Department of Education Appropriation Act, 1986.)

College Housing Loans

Explanation of Language Changes

1/ During a period of (a) postsecondary enrollments that are projected to decline, (b) changing student demographics that are diminishing the demand for institutional housing, (c) healthy bond and commercial lending markets, and (d) deficit reduction pressures that require sustained curtailment of expenditures for non-essential, discretionary purposes and elimination of unneeded credit subsidies, this program is a low priority. Accordingly, no authority is being requested for making new loan commitments from the revolving fund in 1987. Given this, language which limits new commitments to loan repayments and other income, less program operating costs, is unnecessary.

2/ Prohibits new loan commitments from being made from the fund in 1987; this permits further redemption of the program's outstanding Treasury borrowing debt.

3/ Eliminates authority for assessment of audit and inspection fees on new loan commitments and permits previously collected and earned fees to be used for other program operating costs. This, in turn, allows for continuing costs of audits and inspections to be paid for with Salaries and Expenses account funds.

College Housing Loans

Language Analysis

Language Provision	Explanation
Payments of interest insufficiencies for the fiscal year [1986] 1987 as may be required by the Government National Mortgage Association, as trustee, on account of outstanding beneficial interests or participations issued pursuant to the Participation Sales Act of 1966 (section 302(c) of the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. 1717(c))) shall be made from the fund established pursuant to title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749-1749c) using loan repayments and other income available during such fiscal year.	This language enables a portion of the revolving fund's [illegible] resources to be used for the interest insufficiencies related to GNMA participation certificates, thereby removing the need for an appropriation for this purpose. The program's investment income on previous transfers and cumulative deposits in the GNMA participation sales fund is capable of financing the insufficiencies.
During the fiscal year [1986 and within the resources and authority available, gross commitments for the principal amount of direct loans shall be $60,000,000] 1987, no new commitments for loans may be made from the fund.	This language prohibits new loan commitments from being made from the revolving fund in 1986, reflecting both the decreased level of real need for these loans and the Administration's commitment to sustained curtailment of expenditures for nonessential, discretionary purposes and to elimination of unneeded credit subsidies. This prohibition on new loans enables a larger portion of loan repayments and other income to be used to redeem outstanding Treasury borrowing debt.

College Housing Loans

Language Analysis — Continued

Language Provision	Explanation
The authority provided to the Secretary under section 101 of the Independent Offices Appropriation Act, 1964 (12 U.S.C. 1749d), relating to compensation and payment of fixed fees for inspections and site visits, is hereby permanently revoked. Any fixed fees remaining in the fund or paid into the fund after the enactment of this Act shall be available for other operating costs of the fund.	This language permanently revokes the authority for the assessment of audit and inspection fees on new loan commitments and permits previously collected and earned fees to be used for other program operating costs. This, in turn, allows for the continuing costs of audits and inspections to instead be paid for with Salaries and Expenses (S&E) account funds. Support of these staff activities with S&E funds provides for a more appropriate annual review of their costs, as part of the agency's administrative budget request.

College Housing Loans

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual......................	—	—	—
Permanent (indefinite)......	—	—	—
Subtotal, appropriation...	—	—	—
Receipts and reimbursements from:			
Federal funds:			
Investment income from GNMA participation sales fund................	$44,949,000	$50,930,000	$52,979,000
Non-Federal sources:			
Loan repayments and prepayments 1/............	199,361,000	81,344,000	77,140,000
Interest revenue..........	75,016,000	66,286,000	62,860,000
Loan sales 2/.............	—	—	578,550,000
Audit and inspection fees 3/..................	29,000	76,000	83,000
Unobligated balance, start of year:			
Unrestricted................	12,591,000	19,406,000	78,073,000 6/
Restricted, audits and inspections................	3,350,000	3,343,000	2,850,000
Unobligated balance transferred to GNMA participation sales fund 4/...	-114,147,000	—	—
Unobligated balance transferred from GNMA participation sales fund 5/...	—	—	4,698,000
Unobligated balance comparatively transferred to:			
Salaries and Expenses for loan servicing, audits, and inspections.....	-179,000	-870,000	—

College Housing Loans

Amounts Available for Obligation — Continued

	1985	1986	1987
Unobligated balance, end of year:			
Unrestricted................	-$19,406,000	-$78,073,000 6/	-$92,435,000
Restricted, audits and inspections 7/..............	-3,343,000	-2,850,000	—
Redemption of GNMA participation certificates...........	—	—	-4,698,000 5/
Redemption of Treasury borrowing debt................	-62,000,000	-41,000,000	-663,000,000 6/
Total obligations 8/......	136,221,000	98,592,000 6/	97,100,000

1/ Amount for 1985 includes both regular loan repayments and discounted loan prepayments.

2/ In 1987, the Department will begin packaging and selling the program's existing loan portfolio on a "present value discount" basis.

3/ Authority for collection of audit and inspection fees on new loan commitments will be revoked in 1987; amount shown for 1987 reflects projected fee collections on disbursements of prior year loan commitments.

4/ Amount needed to fully redeem the program's outstanding GNMA participation certificates (maturing in 1987 and 1988) was completely transferred by the close of 1985; accordingly, no transfer amounts are shown for 1986 and 1987.

5/ In 1987, $4,698,000 of the program's GNMA participation certificates will mature—requiring their principal redemption to be financed with fund resources. Accordingly, $4,698,000 of the program's deposits in the GNMA participation sales fund (funds transferred in prior years in preparation for certificate redemptions) will be transferred back to the program in 1987 to redeem the maturing certificates.

6/ Reflects proposed supplemental language that would completely prohibit new loan commitments from being made from the fund in 1986 (withdrawing the post-sequestration level of $57,420,000 in new loan authority). The resulting increase in available funds would be used to further redeem outstanding Treasury borrowing debt in 1987.

7/ Beginning in 1987, authority for collection of audit and inspection fees on new loan commitments will be revoked and previously collected and earned fees will be permitted to be used for other program operating costs. Accordingly, the audit and inspection fee balance (previously restricted to such costs) will become unrestricted in 1987.

8/ Adjusted for comparability. Excludes $179,000 in 1985 and $870,000 in 1986 for loan servicing, audit, and inspection activities transferred to the Salaries and Expenses account in 1987.

College Housing Loans

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. College housing loans:				
(Obligations)...............	($60,000,000)	($57,420,000)	---	---
2. Interest expenses on Treasury borrowings:				
(Obligations)...............	(70,000,000)	(70,000,000)	($70,000,000)	($69,000,000)
3. Interest expenses on GNMA participation certificates:				
(Obligations)...............	(28,138,000)	(28,138,000)	(28,138,000)	(28,021,000)
4. Loan servicing and facilities management expenses:				
(Obligations)...............	(754,000)	(754,000)	(454,000)	(79,000)
5. Audits and inspections:				
(Obligations)...............	(570,000)	(570,000)	(---)	(---)
6. Redemption of Treasury borrowing debt:				
(Amount redeemed)...........	(41,000,000)	(41,000,000)	(41,000,000)	(663,000,000)
Total budget authority.....	---	---	---	---
(Total obligations)........	(159,462,000)	(156,882,000)	(98,592,000)	(97,100,000)
(Total debt redemptions)...	(41,000,000)	(41,000,000)	(41,000,000)	(663,000,000)

College Housing Loans

Budget Authority by Activity — Continued

NOTES

1. Reflects proposed supplemental language that would completely prohibit new loan commitments from being made from the revolving fund in 1986 (withdrawing the post-sequestration level of $57,420,000 in new loan authority).

4. Reflects comparability adjustment of $300,000 for loan servicing activities transferred to the Salaries and Expenses account in 1987.

5. Reflects comparability adjustment of $570,000 for audit and inspection activities transferred to the Salaries and Expenses account in 1987.

College Housing Loans

Budget Authority by Object

	1985	1986	1987
Other services 1/.............	($79,000)	($454,000)	($79,000)
Investments and loans.........	(40,000,000)	(—)2/	(—)
Interest and dividends........	(96,142,000)	(98,138,000)	(97,021,000)
Transfer of funds to GNMA participation sales fund 3/4/...............	(114,147,000)	(—)	(—)
Redemption of Treasury borrowing debt 5/.............	(62,000,000)	(41,000,000)	(663,000,000)2/
Total, budget authority by object..................	—	—	—
(Total obligations) 1/.....	(136,221,000)	(98,592,000)2/	(97,100,000)
(Total debt transfers).....	(114,147,000)	(—)	(—)
(Total debt redemptions)...	(62,000,000)	(41,000,000)2/	(663,000,000)2/

1/ Adjusted for comparability. Excludes $179,000 in 1985 and $870,000 in 1986 for loan servicing, audit, and inspection activities transferred to the Salaries and Expenses account in 1987.

2/ Reflects both a reduction of $2,580,000 in new loan authority pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177, and proposed supplemental language that would completely prohibit new loan commitments from being made from the revolving fund in 1986 (withdrawing the post-sequestration level of $57,420,000 in new loan authority). The resulting increase in available funds would be used to further redeem outstanding Treasury borrowing debt in 1987.

3/ This item is not considered an obligation, and therefore, cannot be included under any object class. A portion of loan repayments and other income was transferred in 1985 to the GNMA participation sales fund for the purpose of amortizing the program's outstanding debt on participation certificates, which are scheduled to be redeemed in 1987 and 1988.

4/ Amount needed to fully redeem the program's outstanding GNMA participation certificates (maturing in 1987 and 1988) was completely transferred by the close of 1985; accordingly, no transfer amounts are shown for 1986 and 1987.

5/ This item is not considered an obligation, and therefore, cannot be included under any object class. A portion of loan repayments and other income was used in 1985 and will be used in 1986 and 1987 to redeem Treasury borrowing debt.

College Housing Loans

Summary of Changes

1986 Estimate	—
(Obligations)1/	($158,592,000)
1986 Sequester order	(—)
(Obligations)	(-2,580,000)
1986 Proposed supplemental	—
(Obligations)	(-57,420,000)
Total estimated budget authority	—
(Total obligations)1/	(98,592,000)
1987 Request	—
(Obligations)	(97,100,000)
Net change	—
(Obligations)	(-1,492,000)

1/ Adjusted for comparability. Excludes $870,000 for loan servicing, audit, and inspection activities transferred to the Salaries and Expenses account in 1987.

	1986 base	Change from base
Decreases:		
Built in:		
1. Interest expenses on Treasury borrowings--Because a portion of the program's outstanding Treasury borrowing debt is being repaid in 1986, the base amount on which 1987 interest expenses will be calculated will be less than in the prior year. This will result in a slight decline in this program operating cost	— ($70,000,000)	— (-$1,000,000)
2. Interest expenses on GNMA participation certificates--Because a portion of the program's outstanding GNMA debt is being retired as some certificates mature in 1987, the principal amount of certificates remaining outstanding (and on which interest expenses will continue to be paid) will be less than in the prior year. This will result in a slight decline in this program operating cost	— (28,138,000)	— (-117,000)

College Housing Loans

Summary of Changes -- Continued

Decreases:		
Program:		
1. Facilities management expenses--Because the substantial maintenance and security costs being incurred relative to a currently-held college campus (the title to such campus having been transferred to the Department in full satisfaction of a number of outstanding, delinquent loans) are expected to be eliminated through the sale of that campus in 1986, this program cost will be reduced by a large amount in 1987............	---	---
	($454,000)	(-$375,000)
Net change.........................		---
(Obligations)......................		(-1,492,000)

College Housing Loans

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
Unfunded authorizations:			
New loan commitments and operating costs	Housing Act of 1950, Title IV	Such sums as may be necessary 1/	Such sums as may be necessary 1/
Participation sales insufficiencies	Participation Sales Act of 1966 (section 302(c) of the Federal National Mortgage Association Charter Act); Independent Offices Appropriation Act of 1967	Indefinite	Indefinite

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1/ Loans may be financed and program operating costs may be paid for from available resources in the revolving fund. The level of new loan commitments, however, must be specified each year in appropriation language.

College Housing Loans

Table of Estimates and Appropriations

	Budget Estimate to Congress 1/2/	House Allowance 1/2/	Senate Allowance 1/2/	Appropriation 1/2/
1978	$10,299,000	$10,299,000	$10,299,000	$10,299,000
1979	13,097,000	13,097,000	13,097,000	13,097,000
1980	12,117,000	12,117,000	12,117,000	13,645,000
1981	---	---	---	---
1982	---	---	---	---
1983	---	---	---	---
1984	---	---	---	---
1985	---	---	---	---
1986	---	---	---	---
1987	---			

1/ Excludes permanent indefinite appropriation for payment of participation sales insufficiencies under the Participation Sales Act of 1966 and the Independent Offices Appropriation Act of 1967.

2/ Excludes new loan authority which is required to be specified each year in appropriation language.

College Housing Loans

Significant Items in Congressional Appropriations Reports

Item	Action taken or to be taken
1986 Department of Education Appropriation Act, Senate Report	
Loan Discounting Authorization	
The Committee agreed to continue for 1 more year the loan discounting authority....The Committee understands that the Department...is seeking a statutory change to make it a permanent feature of the program. The Committee concurs with this for 1 additional year only but expects the Department to pursue its proposed modification through the appropriate authorizing committees at the earliest possible date.	The Committee's concern is being addressed through legislation being newly proposed and submitted along with the President's 1987 budget request. ED is once again making a recommendation with respect to long-term extension/modification of this program's prepayment discounting authority--a recommendation that will be included as part of the Department's overall higher education reauthorization proposals, HEA and otherwise. Since a consolidated legislative proposal is being planned, follow-up will be undertaken, as necessary, to assure appropriate committee referral.

College Housing Loans

Account Summary

	1985 1/	1986 1/	1987
1. College housing loans: (Obligations)..............	($40,000,000)	(---)2/	---
2. Interest expenses on Treasury borrowings: (Obligations)..............	(68,004,000)	($70,000,000)	($69,000,000)
3. Interest expenses on GNMA participation certificates: (Obligations)..............	(28,138,000)	(28,138,000)	(28,021,000)
4. Facilities management expenses: (Obligations)	(79,000)	(454,000)	(79,000)
5. Transfer of funds to GNMA participation sales fund: (Amount transferred).......	(114,147,000)	(---)3/	(---)3/
6. Redemption of Treasury borrowing debt (Amount redeemed)..........	(62,000,000)	(41,000,000)	(663,000,000)2/
Total budget authority....	— ——	——	——
(Total obligations)1/.....	(136,221,000)	(98,592,000)2/	(97,100,000)
(Total debt transfer).....	(114,147,000)	(—)	(—)3/
(Total debt redemption)...	(62,000,000)	(41,000,000)	(663,000,000)2/

1/ Adjusted for comparability. Excludes $179,000 in 1985 and $870,000 in 1986 for loan servicing, audit, and inspection activities transferred to the Salaries and Expenses account in 1987.

2/ Reflects both a reduction of $2,580,000 in new loan authority pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177, and proposed supplemental language that would completely prohibit new loan commitments from being made from the revolving fund in 1986 (withdrawing the post-sequestration level of $57,420,000 in new loan authority). The resulting increase in available funds would be used to further redeem outstanding Treasury borrowing debt in 1987.

3/ Reflects no funds transfer to the GNMA participation sales fund in either 1986 or 1987 because the amount needed to fully redeem the program's outstanding participation certificates (maturing in 1987 and 1988) was transferred by the close of 1985.

College Housing Loans

Account Summary — Continued

This account supports financing for the construction, renovation, and acquisition of student and faculty housing and related service facilities through direct, subsidized loans made from a revolving fund. This financing is intended to help higher education institutions accommodate increases in resident student enrollments and also to support energy conservation rehabilitation of existing facilities.

Eligible applicants are institutions of higher education, certain vocational institutions, teaching hospitals, and public or private nonprofit college housing agencies. Loans may be provided for amounts from $100,000 to $3.5 million at a three percent interest rate and generally with repayment terms of up to 30 years.

Loan capital has been provided both with Treasury borrowings and through the marketing of Government National Mortgage Association public securities (certificates of participation in the program's loan portfolio). New loan commitments may be made from the revolving fund's available resources (loan repayments and other income in excess of program operating costs). However, the authorized level of new loans must be specified each year in appropriation language. In 1985, $40 million in new loan commitments (26 loans) was authorized and awarded, and $60 million in loan authority was enacted for 1986 (which amount is reduced to $57,420,000 under sequester).

Credit assistance activity under this program has been carried out in order to provide higher education construction financing on more favorable terms than has been otherwise available through the private sector. The program has not been intended to correct an identified capital market imperfection, but rather has simply been substituted for private financing (and has been provided on significantly more flexible terms and at a substantial subsidy).

In the private sector, financing for similar higher education construction/renovation purposes has typically been secured through several different means (including various commercial lending instruments, as well as construction bonds) depending on the purpose, amount, and desired repayment terms for the financing. In consideration of (1) typical, currently available interest rates for commercial construction loans (available only for smaller amounts and with five to 10-year maturities) and for construction/utility bonds and similar instruments of obligation (marketed for larger amounts and with 10 to 30 year maturities), (2) the wide range of institutional borrowers served by this program (particularly, with respect to credit-worthiness), and (3) certain "premium" financing features of this program's credit assistance, it is estimated that the level of "public" subsidy (the present value of the borrowing subsidy provided over the life of a current-year loan disbursement) ranges anywhere from 38.31 percent of principal loan value (when compared to borrowing costs under a several hundred thousand dollar, five to 10-year commercial loan) to 44.20 percent of principal loan value (when compared to 30-year tax-exempt bond financing) to 58.53 percent of loan value (when compared to 30-year taxable bond financing). In other words, the borrowing subsidy on every $100 of loan proceeds (at a three percent interest rate) is estimated to be worth anywhere from $38.31 to $58.53 in current dollars.

College Housing Loans

1. College Housing Loans
(Housing Act of 1950, Title IV; Participation Sales Act of 1966; and Independent Offices Appropriation Acts of 1964 and 1967)

1987 Authorization: Such sums as may be necessary

Budget Authority:

	1986 Appropriation [1]	1986 Available after Sequestering [1]	1986 Revised Estimate [1][2]	1987	Increase or Decrease
Annual Appropriation...	—	—	—	—	—
Permanent Appropriation (Indefinite)....	—	—	—	—	—
Total...........	—	—	—	—	—
(Obligations)...	($158,592,000)	($156,012,000)	($98,592,000)	($97,100,000)	(-$1,492,000)
(Debt redemption).....	(41,000,000)	(41,000,000)	(41,000,000)	(663,000,000)	(+622,000,000)

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[1] Adjusted for comparability. Excludes $870,000 in 1986 for loan servicing, audit, and inspection activities transferred to the Salaries and Expenses account in 1987.

[2] Reflects proposed supplemental language that would completely prohibit new loan commitments from being made from the revolving fund in 1986 (withdrawing the post-sequestration level of $57,420,000 in new loan authority).

Purpose and Method of Operation

The College Housing Loans program supports financing for the construction, renovation, and acquisition of student and faculty housing and related service facilities (e.g., dining halls, student centers, health infirmaries). This financing is intended to help higher education institutions accommodate increases in resident student enrollments and also to support energy conservation rehabilitation of existing facilities.

Direct, subsidized loans are made from a revolving fund to institutions of higher education, certain vocational institutions, teaching hospitals, and public or private nonprofit college housing agencies. Currently, loans may be made for amounts from $100,000 to $3.5 million at a three percent interest rate and with repayment terms of up to 30 years (up to 50 years in some exceptional circumstances).

Purpose and Method of Operation — Continued

The level of new loans that may be made from the revolving fund each year requires authorization in congressional appropriation language. Loan commitments may then be made on the basis of this authorized level, the availability of fund resources (program income in excess of operating costs), and the facilities needs and fiscal integrity of applicant institutions and agencies. A school's need for new or rehabilitated housing (but without regard to financial need) is the basis for making new loan awards.

Loan funds are then disbursed during the construction, renovation, or acquisition phase of the projects provided that all requirements specified in loan agreements have been met.

Commitments for new loans are made in one fiscal year for disbursement in succeeding fiscal years, whereas operating expenses are primarily current-funded.

The revolving loan fund is made up of the following: funds borrowed from the Treasury to finance loans and to pay for program operating costs (a cumulative total of $3.775 billion was ultimately authorized to be borrowed and about $2.625 billion is currently outstanding); principal repayments and interest revenue on prior year loans; funds obtained through the sale of "beneficial interests" or "participations" in the loan portfolio, marketed through the Government National Mortgage Association (GNMA), as trustee (during fiscal years 1967 and 1968, a cumulative total of $2.2 billion in these public securities was sold and about $451.5 million remains outstanding); and investment income from the GNMA participation sales fund (which holds principal repayments on loans pledged as collateral for the participation certificate sales as well as additional funds transfers, as needed).

Funds flow from the revolving loan fund for the following: disbursements for new loans; interest expenses on borrowed Treasury funds used to make prior year loans; interest expenses on outstanding GNMA participation certificates (the proceeds of which were also used to finance prior year loans) as well as funds transfers to the participation sales fund to amortize principal debt on these certificates; and various fiscal service and facilities management expenses incurred in administering the program's loan portfolio.

Using resources of the revolving fund for new loan obligations results in new Federal outlays--thereby, contributing to the Federal deficit. When fund resources are not used for new loan obligations, they become available for redemption of Treasury borrowing debt and--as such--reduction of the Federal deficit.

College Housing Loans

1. College housing loans

Accomplishments

Since the inception of this program in 1950, over $3.83 billion in loans has been awarded, with about $2.3 billion remaining outstanding at the close of fiscal year 1985.

Authority for and administrative control of the program were transferred to the Department of Education from the Department of Housing and Urban Development in 1980. In the five succeeding fiscal years, $228.2 million in new loan commitments has been awarded in support of 142 projects (67 for housing construction and 75 for energy conservation rehabilitation).

In addition to the awarding of new loan commitments, management and servicing functions are performed for the portfolio of over 2,700 outstanding loans.

A credit management improvement plan for this program, including dollar targets and initiatives for the collection of outstanding loan receivables (including delinquent receivables) was developed and first implemented in 1982. Under this continuing plan, $274,377,000 was collected in fiscal year 1985 (including an estimated $69,461,000 in regular principal repayments, $500,000 in delinquent principal, $129,400,000 in discounted prepayments, $74,242,000 in regular interest collections, and $3,500,000 in delinquent interest), exceeding the dollar collection target. It is expected that 1986 principal and interest collections will decrease to $147,630,000, and that 1987 collections will decrease again to $140,000,000 (because of the diminishing size of the portfolio of outstanding loans).

1987 Budget Proposal

For College Housing Loans, no funds are requested under an annual appropriation (authorized to finance new loans, to pay for program operating costs, and to pay insufficiencies on certain issues of GNMA participation certificates), which is the same as the 1986 appropriation action. Principal repayments and interest revenue on prior year loans will be adequate to pay for current-year program operating costs, and investment income from the GNMA participation sales fund will be used to finance interest insufficiencies on participation certificates.

Also, no funds are requested under a permanent indefinite appropriation (authorized to pay insufficiencies on certain other issues of GNMA participation certificates), which is again the same as the 1986 appropriation action. Investment income from the GNMA participation sales fund will be used to finance these interest insufficiencies as well.

Also, no authorization is requested for new loan commitments to be made from the revolving fund, which is $60,000,000 less than the originally enacted 1986 appropriation level and $57,420,000 less than the post-sequestration level.

College Housing Loans

1. College housing loans

1987 Budget Proposal -- Continued

With respect to higher education facilities assistance generally--including that provided through this program--the Department believes that the current statutory authorities (1) are not designed to carry out an appropriate Federal role, (2) are so broad in purpose that they displace traditional and proper State, local, institutional, and private sector responsibility for providing fundamental postsecondary institutional support, (3) are unnecessarily complicated, duplicative, and administratively cumbersome, and (4) are extremely costly with excessively expensive subsidies involved.

Because loan assistance provided through this program is an extremely low Administration priority, the Department views its termination as an especially appropriate curtailment of a nonessential Federal expenditure--thereby, helping to achieve the deficit reductions required by P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985.

For the following more specific reasons, the Department believes that no further loan authority should be authorized under this program:

o No Federal role - The Department believes that it should not be assuming responsibility for financing the capital outlay needed to generally maintain the physical plant of institutions of higher education--especially while attempting to restrain spending. Responsibility for this type of fundamental institutional support lies with colleges and universities themselves, State and local governments, taxpayers at those levels, and private sector users and beneficiaries of higher education services.

o Excessively expensive subsidy cost - Because of the program's substantial amount of outstanding borrowings from the Treasury (necessitating a similar level of Federal Treasury borrowings from the public), there are large off-budget costs (currently estimated at about $253 million annually). The Federal Government absorbs the difference between the approximately three percent interest paid on institutional loans and the prevailing interest rate for Treasury borrowing.

Furthermore, for the following reasons, any arguable need for Federal facilities assistance that may have existed previously is greatly diminished:

o Projected enrollment declines/changing enrollment demographics - The physical plant demands that colleges and universities were confronted with in the 1960s when the higher education facilities programs were created (demands engendered principally by rapidly expanding postsecondary enrollments) no longer exist.

1987 Budget Proposal — Continued

On a national basis, full-time postsecondary enrollments have been basically steady over recent years and are projected to begin declining slightly over the next decade. More importantly, large numbers of individual schools have already begun experiencing declines. Higher Education General Information Survey (HEGIS) enrollment data show that over the four academic year-period of Fall 1981 through Fall 1984, full-time equivalent enrollments declined at over one-third of colleges and universities.

Furthermore, the demographics of the college population relevant to housing needs are changing dramatically. Whereas in 1970 more than 72 percent of college and university students were of the traditional age group (under 25 years old), by 1982 this had decreased to 61 percent. By 1992 this percentage is projected, once again, to decrease substantially—to less than 52 percent. Non-traditional college students (those over 25 years old) are less likely than the declining numbers of traditional students to need on-campus housing.

- Improved economic conditions - The more current higher education infrastructure needs have been brought about largely because of the accumulation of years of deferred maintenance and replacement--deferrals necessitated by the unfortunate recent years of especially "lean" institutional budgets strained by high inflation, rapidly increasing energy costs, and generally declining levels of discretionary resources at State and local government levels. These circumstances have been largely remedied, however, and we have witnessed significant improvement in the financial status of colleges and universities as well as in the fiscal capacity of State and local governments, taxpayers, and the private sector for supporting these institutions.

  This general revitalization has occurred under an economic recovery program now distinguished by lower inflation, lower interest rates, lower Federal taxes, tax policies supportive of private sector/education partnerships and other such initiatives, simplified programs of Federal assistance to State and local governments, and less burdensome Federal regulation. The Nation's sustained economic performance can be expected to continue to play a large role in helping colleges and universities address physical plant needs accumulated over the previous years of institutional fiscal restraint.

  For example, the following recent findings are both relevant and noteworthy:

  —Investment earnings on endowment funds - The National Association of College and University Business Officers found that over the past few years (notwithstanding a small decline in 1984), the return on investments of college and university endowment holdings has been dramatic--yielding an estimated 41.3 percent in 1983 alone. Moreover, lower inflation has magnified even further the buying power of these institutional earnings.

1987 Budget Proposal -- Continued

--Higher education philanthropy - Private giving to colleges and universities (some of which supports capital construction/renovation projects and equipment acquisition) has also been helped by the economic recovery. The Council for Financial Aid to Education (CFAE) recently reported that 1984 corporate aid to education was up 16.4 percent over the previous year (and up 82 percent since as recently as 1979). Of total education aid, CFAE reports that about $1.1 billion went to higher education--with about six percent of that amount (or about $68 million) representing capital grants, about 20 percent (or about $227 million) being gifts of company products and equipment, and about another 7.7 percent (or about $87 million) coming in unrestricted operating grants.

--State and local government revenues - The National Conference of State Legislatures reported recently that the condition of college and university facilities has become one of the new areas of focus on the higher education agenda of State lawmakers. The Department believes that it is the improved revenue condition of State and local governments (an improvement brought about largely because of the Nation's overall economic recovery) that has both encouraged and enabled lawmakers and policymakers at these levels to now begin paying more attention to this truly State and local responsibility.

o Adequacy of existing facilities - With respect to structural integrity, existing college housing facilities are largely adequate. A Department-commissioned study (conducted by the American Council on Education's Higher Education Panel, 1982) found that over ninety-nine percent of currently-housed college students are living in fully standard facilities.

o Capital recovery under energy conservation projects - With respect to energy conservation rehabilitation projects, since the cost-effectiveness of undertaking such measures can result in full recovery of capital investments within a few years, Department assistance for this type of facilities renovation should not be needed.

In sum, we believe that higher education institutions themselves, and as appropriate, State and local governments, are now in a better position to help finance facilities construction, and such financing is more appropriately their responsibility. Where currently available State and local tax dollars or institutional resources are not adequate, bond and commercial lending markets --which are healthy--can be tapped. In fact, the marketing of construction bonds is one of the most common manners of raising capital for facilities projects, and there is no reason that it should not remain so--especially now that the interest cost of such financing has declined significantly.

College Housing Loans

1. College housing loans

1987 Budget Proposal — Continued

In consideration of the greatly diminished need for Federal support for college housing, the fiscal year 1987 budget and legislative policy for this program is as follows:

- Loan commitments - No new loan commitments will be provided from the revolving fund.
- Operating costs - Principal repayments and interest revenue on prior year loans will be used to pay for current-year program operating costs.
- GNMA interest insufficiencies - Investment income from the GNMA participation sales fund will be used to finance interest insufficiencies on outstanding participation certificates.
- Treasury borrowing debt - All cash resources remaining available after operating costs and interest insufficiencies are paid will be used to retire a portion of the fund's outstanding Treasury borrowings.
- Loan authority - Along with the Department's HEA reauthorization proposal, it is being proposed that Housing Act authority for making new college housing loans be repealed.
- Loan administration provisions - Only those few statutory authorities needed to provide a legal and operational framework for continued management and servicing of the existing loan portfolio will be extended--and, in some cases, strengthened (e.g., loan discounting authority will be refined to prohibit prepayments from being made with the proceeds of tax-exempt obligations and—in other ways—to better protect the Federal Government's financial interests).
- Loan asset sales - The Department will begin packaging and selling the existing loan portfolio—with about half of current loan assets to be sold in FY 1987 and an additional amount in 1988 such that fully 90 percent or more of the program's loan obligations are turned over to the private sector. (In tandem with repeal of this program's new loan authority, the proposal to begin packaging and selling the existing loan portfolio is intended to help accelerate achievement of the Department's longer-range policy objective of having the private sector more substantially involved in financing higher education capital outlay.)

College Housing Loans

1. College housing loans

Impact Data

	1985	1986 after Sequestering	1986 Revised	1987 1/
New loan commitments:	26	41	---	---
Housing construction loans:				
Number	10	15	---	---
Average amount	$3,041,300	$2,871,000	---	---
Total amount	$30,413,000	$43,065,000	---	---
Energy conservation rehabilitation loans:				
Number	16	26	---	---
Average amount	$599,188	$552,115	---	---
Total amount	$9,587,000	$14,355,000	---	---
Total new loans:				
Number	26	41	---	---
Average amount	$1,538,462	$1,400,488	---	---
Total amount	$40,000,000	$57,420,000	---	---
Outstanding loans (End-of-year):				
Number	2,755	2,793	2,793	1,546
Total volume	$2,300,427,000	$2,279,644,000	$2,279,644,000	$1,161,065,000
--Default volume	$84,456,000	$66,310,000	$66,310,000	$48,328,000
--% in default	3.7%	2.9%	2.9%	4.2%
New volume (disbursements)	$42,819,000	$60,561,000	$60,561,000	$60,561,000
Collections	$277,103,000	$147,630,000	$147,630,000	$140,000,000
--Principal	$199,361,000	$81,344,000	$81,344,000	$77,140,000
--Interest	$77,742,000	$66,286,000	$66,286,000	$62,860,000
Loan sales	---	---	---	$578,550,000

1/ Impact data for 1987 outstanding loans, end-of-year, reflects enactment of proposed 1986 supplemental language that would prohibit new loan commitments from being made from the revolving fund in that year (withdrawing the originally enacted authority for $60,000,000 in new loans, which amount is reduced to $57,420,000 under sequester).

WEDNESDAY, APRIL 16, 1986.

AMERICAN PRINTING HOUSE FOR THE BLIND

WITNESSES

CARSON Y. NOLAN, PRESIDENT

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION

THOMAS P. SKELLY, DIRECTOR, BUDGET SYSTEMS DIVISION, OFFICE OF PLANNING, BUDGET AND EVALUATION

Mr. NATCHER. At this time we take up the budget request for the American Printing House for the Blind. We have with us before the committee Mr. Carson Y. Nolan, President, American Printing House for the Blind.

Dr. Nolan, it is a pleasure to have you back before the committee again. Before you take up your request, tell us who you have with you at the table.

Dr. NOLAN. Mr. Natcher, I have Mr. Tom Skelly and Sally Christensen, both from the Office of Planning, Budget and Evaluation of the Department of Education.

Mr. NATCHER. We are delighted to have all of you before the committee.

Dr. Nolan, we will be pleased to hear from you at this time.

SUMMARY OF REQUEST

Dr. NOLAN. Mr. Chairman, I have an opening statement which I will be glad to submit for the record, and to summarize briefly, if that is agreeable.

I appreciate this opportunity to appear before the committee. Our request this year is the same as last year, $5,500,000. We still propose legislation to eliminate the trust fund that was established in 1879, and we request that $10,000 be added to the appropriation for a total of $5,510,000.

Of this total, $5,020,000 is allocated to the production of educational materials for legally blind students in this country. We expect there to be 47,400 of them in 1987. This will result in a per capita amount for each of $105.91. Of the remainder, $140,000 will go for advisory services, and to pay the expenses of our committees, who advise us on the products we make. $350,000 will go for education and technical research.

I will be glad to answer any questions.

Mr. NATCHER. Thank you, Dr. Nolan.

[The statement of Dr. Nolan follows:]

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DEPARTMENT OF EDUCATION

Statement by the President of the

American Printing House for the Blind

Mr. Chairman and Members of the Committee:

The American Printing House for the Blind was chartered by the Commonwealth of Kentucky in 1858 for the nonprofit manufacture of books and educational aids for use in the education of blind children in special schools for the blind. In 1879, the Congress passed an Act to Promote the Education of the Blind which, as amended, now enables the Printing House to provide educational materials for all blind students below college level throughout the United States, its territories, and possessions. The total request for 1987 is $5.5 million. Legislation has been proposed to terminate the small trust fund established by the 1879 statute. The $10,000 formerly provided by the annual interest of the trust fund has been added to the fiscal year 1987 request.

Educational Materials

The fiscal year 1987 request for educational materials is $5.0 million. It will supply an estimated 47,400 blind students with special educational materials. This number represents an increase of 1,600 students over fiscal year 1986. Of the 47,400 blind students, 40,200 are enrolled in grades twelve and below and 7,200 are enrolled in adult programs. The per capita allotment for fiscal year 1987 is $105 91, an increase of $1.02 over 1986.

Advisory Committees

The request of $140,000 for expenses for Advisory Committees is equivalent to the amount awarded in fiscal year 1986. This budget category covers the expenses of the two Advisory Committees which determine what books will be published and what new materials will be developed. But more importantly, it covers the cost of informing teachers and administrators about what materials are available, how they may be obtained, and how they are to be used, as well as the cost of the annual census of blind students conducted in January.

Educational and Technical Research

The request of $350,000 for educational and technical research is the same amount as allocated in 1986. These funds will serve as a base to enable the Printing House to develop needed educational materials in a variety of subject areas such as reading, mathematics, science, microcomputer applications, and for special groups such as the multihandicapped blind and preschool blind.

The American Printing House continues to serve a growing a complex group of blind students who require many different kinds of educational materials. As of January 1985, 33,547 legally blind students were registered through State departments of education, 4,708 were enrolled in residential schools, 1,557 were enrolled in programs for the multihandicapped, and 5,409 were enrolled in rehabilitation programs. Among these, 6,859 read braille, 16,093 were visual readers, 10,556 were auditory readers, 2,581 were prereaders, and 9,132 were nonreaders.

New educational materials and teaching aids are developed and produced each year to keep educational programs for these students current. In addition, reprints and reruns of older materials are made as required. The American Printing House maintains a finished goods inventory of $3,100,000 to ensure a timely delivery of special materials to educational programs.

In the last twelve months, progress has been made in a number of areas. Some of these are as follows:

1. Using funds donated by the public, we have improved our operations through:
    a. Acquisition of a second computerized, high-speed braille platemaker;
    b. Upgrading of our electroplating operations;
    c. Continued upgrading of printing equipment for short-run large type textbooks; and
    d. Continuing the installation of a computerized business management system for all financial, distributive, and manufacturing functions.
2. New products made available, in addition to the usual new textbooks in braille and large type, include:
    a. A kit to teach blind students to use the Apple IIe microcomputer;
    b. Thirty-five computer-assisted instructional software programs which we have converted to spoken output;
    c. Three educational software programs with spoken output, created especially for the blind;
    d. An adapter kit for microcomputers to provide better control of spoken output; and
    e. An improved portable disc player for Talking Books.

4-A-3

3. We established a new position of microcomputer systems programmer and hired a qualified blind person to fill it.

We continue to make steady progress in meeting the educational needs of blind children. Recent progress is described in the 1985 Annual Report of the American Printing House, copies of which we have sent to Committee members.

Mr. Chairman, I will be glad to answer any questions concerning this budget request.

DEPARTMENT OF EDUCATION

American Printing House for the Blind

Biographical Sketch

NAME : Carson Y. Nolan

POSITION : President
American Printing House for the Blind

BIRTHPLACE AND DATE : Indianapolis, Indiana, October 21, 1925

EDUCATION : University of Kentucky, 1950, B.S. and M.A.
Washington University, 1953, Ph.D.

EXPERIENCE

PRESENT : President, American Printing House for the Blind
Louisville, Kentucky

1976-1979 : Vice President and General Manager
American Printing House for the Blind
1958-1976 : Director, Department of Educational Research
American Printing House for the Blind
1960-1972 : Adjunct Associate Professor, Department of
Psychology, University of Louisville
1956-1958 : Research Scientist, Human Resources Research
Office, Fort Knox, Kentucky
1953-1956 : Director, Field Unit 1, Air Force Personnel and
Training Research Center, Forbes Air Force Base,
Kansas

ASSOCIATION MEMBERSHIP : American Association of Workers for the Blind
Association of Education of the Visually Handicapped
The Council for Exceptional Children

PUBLICATIONS: Over 100 professional monographs, chapters, and articles

EFFECT OF SEQUESTER

Mr. **NATCHER**. An amount of $237,000 is being sequestered from the 1986 appropriations for the Printing House. Tell us briefly what effect this reduction will have on your operations.

Dr. **NOLAN**. Mr. Natcher, it will diminish it proportionately. It has meant that we have had to lay off employees. In addition, our budget was reduced by another $400,000 due to the impact of Gramm-Rudman on some of our contractors. Therefore since March we have had to lay off 25 employees.

Mr. **NATCHER**. Dr. Nolan, concerning the $237,000 sequestered, how will it affect you this year?

Dr. **NOLAN**. Yes, sir. It reduced our efforts by that amount, and so we have to make fewer materials between now and the end of the fiscal year and reduce our work force accordingly.

Mr. **NATCHER**. How have contracts that the Printing House has with the Library of Congress and other Federal agencies been affected by this reduction?

Dr. **NOLAN**. Our work has been reduced and some of the requests that we have responded to that had not been acted upon by the contractors were reduced in the process of their review. I think our sales were reduced by $450,000.

Mr. **NATCHER**. Do you believe that such reductions in Federal resources can be absorbed through increases in educational sales?

Dr. **NOLAN**. It is not clear that they can. I think to some extent this is possible. We are making a great effort to publicize what we have and to reach our consuming population in more detail and more frequently; that may help us.

INCREASE IN ELIGIBLE STUDENTS

Mr. **NATCHER**. What accounts for the 30 percent increase in persons who are eligible for free educational materials from the Printing House over the past five years?

Dr. **NOLAN**. Three things. The biggest part of that increase, or a significant part of it, comes from the growth in our adult enrollees, people who are in formal education programs of less than college level above grade 12. Our multi-handicapped population continues to grow. There is a continued increase in the numbers of students who are registered from private nonprofit programs.

DECREASE IN EMPLOYEES

Mr. **NATCHER**. You indicated to the committee that there is a considerable drop—9.3 percent—in the number of employees at the Printing House since 1985. Were these employees laid off?

Dr. **NOLAN**. Yes, sir. Right now we have 25 persons laid off.

Mr. **NATCHER**. What has been the impact of staff reductions on program operations generally?

Dr. **NOLAN**. Well, it has caused us some inconvenience. If our income is down, then our workload is down, and in many cases these people are surplus. We have tried to adapt by streamlining our operations wherever possible, by automating wherever possible, and this has helped us.

EFFECT OF REDUCTION IN PER CAPITA AMOUNT

Mr. NATCHER. According to your budget justifications, in the last five years the per capita rate of assistance for free educational materials for the blind has dropped from $128 to $105. How does this reduction affect the materials that will be available for eligible persons?

Dr. NOLAN. It reduces them, Mr. Chairman. It means that there are fewer materials available for each student, and of course this puts a strain on the States. Many of the States are spending their credit very early in the year and they are unable to continue to acquire the materials they need. In some cases they restricted the categories of materials that they allowed their people to acquire. In some States they are concentrating solely on textbooks and not acquiring educational aids and tools that we have available for them.

OPERATIONAL DEFICIT

Mr. NATCHER. Last year during the hearings you stated that the Printing House was operating at a deficit. Is this still the case?

Dr. NOLAN. Happily, sir, it is not presently. The deficit in 1985 was the fifth consecutive one the Printing House has had. In 1985 our deficit was $336,000. At this time we are operating in the black.

Mr. NATCHER. What is the current status of the Printing House's employment of blind persons? As you know, Dr. Nolan, not only last year, but the year before, we talked with you about employing as many blind people as possible. What is the situation today, Dr. Nolan?

Dr. NOLAN. Well, Mr. Natcher, we currently have 20 blind persons employed. We have a total of 63 handicapped people employed out of our current employment of 370 people. We were able to create a professional job this year in which we placed a blind person. We continue to pay special attention to this area of employment and to look for positions that we can fill with blind persons. Unfortunately, there are no positions open. We have had very few open this year.

I think the only major category of employment has been for talking-book monitors. These are people who follow the copy of a book as it is read by a reader. Of course, they have to be sighted to do that. We simply haven't had any jobs. Right now with 25 persons on layoff, we have those people waiting in line for any job openings for which they are qualified. They have the right of primary consideration under the law.

I would like to point out this with respect to our blind employment: There is about one blind person of employment age for every 1,000 in our population. That is one-tenth of 1 percent. We have 20, which is 50 times the proportion that exists in the population.

So we are not in any way in a deficit situation with respect to blind employment. We have always employed them. We have always employed a wide range of handicapped people. We are going to continue to do that. We are going to do it as efficiently and as rationally as we can. We are going to pay attention to this matter.

Mr. NATCHER. As you know, this is a great concern to the Members of this committee, and we would appreciate it if you would.

Dr. NOLAN. We certainly will.

FUTURE OF FEDERAL APPROPRIATION

Mr. NATCHER. Dr. Nolan, do you know if the Department of Education is planning to phase out Federal support for the Printing House?

Dr. NOLAN. I think not, Mr. Natcher. I have been assured that we are still part of the group and will continue to be so.

Mr. SKELLY. The Department has no plans to phase out long-term assistance for the Printing House. We have proposed again this year legislation which would terminate the $10,000 permanent appropriation, but we have replaced that $10,000 reduction with an offsetting increase of $10,000 in the annual appropriation.

Ms. CHRISTENSEN. We also have in the President's budget the out-year projections which show this officially as being extended.

Mr. NATCHER. Ms. Christensen, you have been around here for a long time; you are not going to let them phase this out, are you?

Ms. CHRISTENSEN. Absolutely not.

Mr. NATCHER. That is good. Mr. Stokes, I yield to you.

Mr. STOKES. Thank you, Mr. Chairman.

TOTAL PRINTING HOUSE BUDGET

Dr. Nolan, what is your total budget from both Federal and non-Federal sources for the fiscal year 1986?

Dr. NOLAN. Fiscal year 1986, that is the current fiscal year, it is about $12.5 million, sir.

Mr. STOKES. From both Federal and non-Federal?

Dr. NOLAN. Yes, sir.

Mr. STOKES. What is your estimate for fiscal year 1987?

Dr. NOLAN. Well, we haven't made a formal estimate yet. We will do so in July. I expect we will estimate a budget of less than the current budget, maybe by a factor of 4 or 5 percent.

Mr. STOKES. With regard to the fiscal year 1986 budget, what share does the Federal appropriation represent?

Dr. NOLAN. On which year?

Mr. STOKES. Fiscal year 1986.

Dr. NOLAN. The appropriation represents about 40 percent.

Mr. STOKES. Federal portion?

Dr. NOLAN. That is right.

COST OF EDUCATIONAL MATERIALS

Mr. STOKES. What is the average annual cost now of producing educational materials for a blind student?

Dr. NOLAN. We estimate the total cost to be around $750.

Mr. STOKES. Are these costs increasing or decreasing?

Dr. NOLAN. Generally they are increasing, simply because of inflation. Although it is mild, it still has an impact.

NEW MICROCOMPUTER RELATED PRODUCTS

Mr. STOKES. Dr. Nolan, can you tell us about some of the new products utilizing microcomputers now being made available to blind students?

Dr. **Nolan**. Yes, sir. We have taken a very active approach here at the request of our advisory committees, and we have done three things: One, we have made a great effort to provide to blind students materials in Braille and large type that will enable them to be computer literate. Primarily what we are talking about are manuals for the kinds of microcomputers and their accessories that are most widely used in the educational field.

In addition, we have provided some training materials, a mockup of keyboards with Braille on them. Sets of samples of parts that go into computers so they can see what the insides are like. We have developed two audio cassettes that are training cassettes, and we have developed some of the software for them to practice on that includes practice materials and also games. That is the first thing we have done.

The second thing we have done has been to adapt 45 computer-assisted instructional programs that were available commercially. Our adaptation consists of making these materials talk. We added a synthesized speech component to the software so that with the appropriate peripherals a blind student can hear the contents of these programs.

In addition, we have developed a number of tools and utilities for blind persons, software that enables them to make other programs talk, a word processing program, and we have also written on our own some special computer-assisted instructional programs that are specifically needed to help these students in their everyday activities in the classroom.

NUMBER OF STUDENTS SERVED

Mr. **Stokes**. Dr. Nolan, how many blind and visually impaired students now benefit from the services of the American Printing House for the Blind?

Dr. **Nolan**. Our estimate for 1987 is 47,400. We know this doesn't include all blind persons in this country. For example, Gallaudet College has some people who are both blind and deaf, who are not registered with us, whom they support. We know there are still some out there who we are not serving. We estimate we are serving 98 percent of the total.

Mr. **Stokes**. Would you say this number is increasing?

Dr. **Nolan**. It has been increasing, yes, sir.

EDUCATIONAL AND TECHNICAL RESEARCH

Mr. **Stokes**. The budget justification indicates that $350,000 will be utilized in fiscal year 1987 for the educational and technical research activity. What kind of activities are we talking about?

Dr. **Nolan**. We are talking entirely about materials development, Mr. Stokes, development of new material like computer materials I just described.

Mr. **Stokes**. Thank you very much.

Mr. **Natcher**. Mr. Pursell.

AVAILABLITY OF MATERIALS

Mr. PURSELL. I just had one question. I noticed in your biography you were partially educated at the University of Kentucky.

Dr. NOLAN. Yes, sir.

Mr. PURSELL. So if you were trained at the University of Kentucky, I think you would be in good shape before this committee, I am sure of that.

You said in your statement earlier that I read that you provided a lot of excellent programs for the children across the country. How do you do that in terms of delivery service? How do you deliver your programs to blind students?

Dr. NOLAN. Primarily through this appropriation. It is in the form of materials. We work with the consuming communities to determine what materials are needed, and use these funds to produce those materials which are allocated to the States on a proportional basis.

Mr. PURSELL. For example, somebody, say in my State of Michigan, wants to avail themselves of some of your new computer technology, do they write?

Dr. NOLAN. Well, the Michigan School for the Blind and the State department of education both have credits upon which they can draw, and they can get any of our materials using those credits. We will also sell them the materials for cash. We don't object to taking cash as well.

Mr. PURSELL. Do you deliver that directly to the home?

Dr. NOLAN. No, we deal with the educational institutions. Parents buy our materials. We do have some materials that parents buy like tape recorders and players, braille writing equipment, supplies, some educational games. Our parents sales are not large. Most of our materials distribution is to educational institutions.

Mr. PURSELL. Do they get that free?

Dr. NOLAN. Yes, sir.

Mr. PURSELL. They don't pay for mailing costs or a fee?

Dr. NOLAN. That is right. They have the credit with us, provided by this appropriation, against which they can draw. The materials are sent "free matter for the blind," through that provision, so that there is no cost.

Now, sometimes they need more materials than they have credits for under the appropriation. In that case, the State or the residential school or the local educational agency or some voluntary group will buy those for cash.

Mr. PURSELL. So each institution State by State can build up a certain number of credits per year?

Dr. NOLAN. That is correct.

Mr. PURSELL. And work off the credits?

Dr. NOLAN. Yes, sir.

Mr. PURSELL. At the current price?

Dr. NOLAN. That is correct.

Mr. PURSELL. No direct delivery to the homes yet?

Dr. NOLAN. No, sir. We deal with institutions, educational institutions for this appropriation. We will sell to anyone who is eligible to acquire our materials, for cash.

Mr. **Pursell**. You make a profit on that, or is that a straight sale?

Dr. **Nolan**. Of course, the law says that no profit can be made on materials provided under this appropriation. In some cases—this is probably less true of educational materials—we do make a small profit, in the order of 1 or 2 or 3 percent.

Mr. **Pursell**. To cover your overhead and administrative costs?

Dr. **Nolan**. Yes, sir.

Mr. **Pursell**. What would you say is the volume of material you mail out across the country in a given year; what number are we talking about?

Dr. **Nolan**. Well, the amounts in dollars last year were $12,208,000. In number of materials or number of items, I don't have any idea. We are the biggest customer for the post office in Louisville, Kentucky.

Mr. **Skelly**. In 1985 the Printing House distributed about 20,000 catalogues which describe the materials that were available.

Mr. **Pursell**. They order through the catalog?

Dr. **Nolan**. That is correct.

Mr. **Pursell**. Use their credits to help that out?

Dr. **Nolan**. Yes, sir.

Mr. **Pursell**. Thank you, Mr. Chairman.

Mr. **Natcher**. Mr. Conte.

DROP IN STUDENT ALLOTMENT

Mr. **Conte**. Dr. Nolan, it is a pleasure to see you again before the Subcommittee.

Each of the last five years there has been a steady drop in the allotment per student, as it is represented in your budget. The budget documents show a decrease of about $8.40 in fiscal year 1986, I guess because of Gramm-Rudman. What practical effect does this drop have on blind students?

Dr. **Nolan**. Well, as the per capita goes down, so do the numbers of materials that were available for each student. As we mentioned a minute ago, we have estimated that the total cost of materials for blind students in the middle grades each year is about $750, and that is based on the assumption that certain major items will be used over several years. Things like braille writers, things like cassette players, recorders, braille large-type textbooks are examples of that. We have felt that the per capita ought to run about 18 to 20 percent of that amount, which is of the order of $135, $140, but it is a problem.

As I mentioned earlier, many of the States are running out of money very early in the year and they have to restrict the kinds of varieties of materials that they will allow people to purchase. Florida is out of their money. Before they did that, though, they restricted their purchases to textbooks.

Mr. **Conte**. Would you say the situation is alarming? Should the Committee take some action?

Dr. **Nolan**. Well, it is certainly causing a problem for many of the States. Alarming is a matter of opinion.

Mr. **Conte**. This year everybody has a problem. But this problem is serious enough to warrant our immediate attention.

Dr. **Nolan**. I would say it is becoming serious and people are struggling more and more to supply materials. In many cases students are doing without materials that they normally require. It would be desirable if the per capita could be in the $120 or $130 range. That would be very helpful to the States.

NUMBER OF STUDENTS SERVED

Mr. **Conte**. How many blind and visually impaired students below the college level are there in the country?

Dr. **Nolan**. We predict 47,400 for fiscal year 1987.

Mr. **Conte**. Is that population staying about the same, or does it show increases or decreases?

Dr. **Nolan**. It is increasing. Each year for as long as I have been at the Printing House we have had an increase. Over the last 10 years these increases have run 1500 a year.

OTHER SOURCES OF FUNDS

Mr. **Conte**. We provide through this appropriation about 42 percent of your operating budget each year. What sources of funding make up the remaining 58 percent?

Dr. **Nolan**. Thereabouts.

Mr. **Conte**. Where does the other 58 percent come from?

Dr. **Nolan**. Well, it is about evenly divided between contract work that we do for a variety of agencies and cash sales to schools and persons. Our biggest contractor is the Library of Congress, but we have other Government agencies and other business contracts as well. The remainder is sales, cash sales, to individuals and to educational organizations.

Mr. **Conte**. Is the demand for your services by the private sector picking up any?

Dr. **Nolan**. No, demand remains pretty constant. And if we introduce a new attractive product, of course it rises.

Mr. **Conte**. Do you find the private sector becoming more interested in providing services to the blind?

Dr. **Nolan**. Within their means, they are. Certainly we get a lot of expressions of interest in that realm. Their means are limited and of course we are all affected by problems of our economy.

EFFECTS OF FEDERAL BUDGET CUTS

Mr. **Conte**. You have mentioned here today and also in the past, that a lot of your business comes from other Federal agencies. In this era of budget cutting, though, most departments and agencies are decreasing services. Has the demand from other Federal agencies shrunk at all recently? Do you see them cutting out some services that they used to provide to the blind?

Dr. **Nolan**. Yes, sir. Since March, our contract business has fallen off about $450,000 and it has had an impact on us.

Mr. **Conte**. Do you see these agencies cutting out service to the blind which they used to provide before?

Dr. **Nolan**. In terms of amount, they are. Our contractors are doing less of what they used to do. We are making fewer braille books. We are making fewer recordings than we originally had contracted to do this year.

Mr. **Conte**. What services are you providing now to the Library of Congress?

Dr. **Nolan**. We produce for them books and magazines in braille and recorded form.

KINDS OF RESEARCH

Mr. **Conte**. You are asking for $350,000 for educational and technical research activities. What kinds of research do you buy or conduct with this money?

Dr. **Nolan**. This is all in-house research. We utilize those funds for materials development. A little earlier I talked about a program we had to develop materials for microcomputer applications in the educational area. But we develop materials for multi-handicapped, and low-vision students. Braille reading has been a major interest of ours, educational measurement another, and early childhood.

Mr. **Conte**. Are you coordinating any of that research with other agencies, or are you the only one doing it?

Dr. **Nolan**. Well, we do 95 percent of the educational materials development. Some other educational materials development is done under grants from various Federal agencies, and we keep up on that pretty well. We don't duplicate what other people are doing. In the event that materials are developed using Federal funds provided by or through special education or rehabilitation, quite frequently those come into our place and we make them and distribute them.

NEW PRODUCTION EQUIPMENT

Mr. **Conte**. We talked some last year about new printing and computer equipment that has been developed to lower the cost and speed up the printing of materials for the blind. Have you been able to purchase any new equipment in 1986, or do you plan to do so in 1987?

Dr. **Nolan**. Yes, sir. As I recall, you had seen a newspaper article——

Mr. **Conte**. Right.

Dr. **Nolan** [continuing]. And that gave a very optimistic account of improvements in braille printing. I regret that that account is probably more optimistic than the event warrants. We work closely with the Hadley School for the Blind, which I think was the agency that article talked about. We have been up there and looked at what they are doing. We do a lot of work for them and braille has been one of the areas of great interest to us to improve our abilities.

Of course, we already do computerized braille printing, which means the translation is done by computer. We have acquired high-speed braille plate-making equipment. We have on order the line printer that was described in that article, which prints on two sides of the page.

We are getting ready to convert all of our braille input to computer in one form or another. We hope within the year to be in a position where we can use input from microcomputers to make metal plates from whence we can print multiple copies. We can take that input and print one copy of a book which will be very helpful in terms of reprint of books. We will be in a position to take a floppy disc that was created by a volunteer worker, in many parts of this country, and make multicopies and provide them under this appropriation to the States.

We are able to make a cassette that contains digitized information that can be used to operate braille-reading machines that are provided by Telesensory Corporation out in California, and are used today by the IRS for their tax consultants who are blind.

Mr. CONTE. Very good. Thank you.

Mr. NATCHER. Any additional questions, gentlemen?

Dr. Nolan, we want to thank you for your appearance before our committee at this time on behalf of your budget request for fiscal year 1987. The Printing House has been around a long time, 1858, I believe?

Dr. NOLAN. Yes, sir.

Mr. NATCHER. You are still doing good work.

Dr. NOLAN. We are making every effort to do so.

Mr. NATCHER. Thank you very much.

Dr. NOLAN. Thank you, Mr. Natcher.

WEDNESDAY, APRIL 16, 1986.

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

WITNESSES

WILLIAM E. CASTLE, NATIONAL TECHNICAL INSTITUTE FOR THE DEAF AND VICE PRESIDENT, ROCHESTER INSTITUTE OF TECHNOLOGY

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION, DEPARTMENT OF EDUCATION

THOMAS P. SKELLY, DIRECTOR, BUDGET SYSTEMS DIVISION, OFFICE OF PLANNING, BUDGET AND EVALUATION, DEPARTMENT OF EDUCATION

MIKE SERVÉ, DIRECTOR, OFFICE OF PLANNING AND BUDGET

Mr. NATCHER. We take up next the National Technical Institute for the Deaf. We have before the committee Dr. William E. Castle, the Director of the National Technical Institute for the Deaf. Dr. Castle, before you give us your statement, who do you have with you at the table?

Dr. CASTLE. I have Mr. Mike Servé with me, who is Director of our Office of Planning and Budget. I also want to bring to your attention that we have in the audience today one of the graduates from NTID, Mr. David Nelson, who is working as an intern in Representative Coelho's office.

Mr. NATCHER. Thank you.

We will be pleased to hear from you at this time.

OPENING STATEMENT

Dr. CASTLE. The opening statement is submitted for the record, but I would like to summarize that for you. The President's request for NTID for fiscal year 1987 is at a level of $31,380,000, which includes a $1 million matching endowment grant. This means there is $30,380,000 set for operations. This is 84 percent of the total operations costs for NTID, as we project for fiscal year 1987. It involves a decrease of $244,000 from the post-sequester level for fiscal year 1986 funding. It also involves a decrease of $1,620,000 from the presequester level for fiscal year 1986, since the level for fiscal year 1986 appropriated by Congress was $32 million.

We have to absorb within this level of $30,380,000 built-in costs that equal $1,665,000 for salary increments, and $195,000 for contract services with our host institution.

Mr. NATCHER. Thank you, Dr. Castle.

[The statement of Dr. Castle follows:]

DEPARTMENT OF EDUCATION

Statement by the Director of the National Technical Institute for the Deaf

Mr. Chairman and Members of the Committee:

I am pleased to present the President's 1987 budget request for the National Technical Institute for the Deaf.

The National Technical Institute for the Deaf at the Rochester Rochester Institute of Technology (NTID at RIT) was created by Congress to provide postsecondary technical education for the Nation's young deaf people to prepare them for successful employment. NTID trains professional staff to serve the Nation's deaf population and conducts research into educational achievement, communications, personal/social instruction, economic and employment aspects of deafness. The 1987 request for the National Technical Institute for the Deaf is $31.4 million, which includes $1.0 million to create an endowment matching grant.

The specifics of the fiscal year 1987 request follow.

Operations

The fiscal year 1987 request for operations is $30.4 million. Of the requested amount $28.9 million is for the base program, a decrease of $30,000 from the 1986 postsequester level. This level of funding will provide the same level of Federal subsidy, as a proportion of total funding, as the 1986 funding level. For costs of educating increased numbers of students associated with the rubella epidemic of 1963-65, $1.5 million is provided, a decrease of $214,000 from the 1986 postsequester level. The rubella epidemic of 1963-1965 doubled the incidence of babies born deaf throughout the United States during that period. Those children are now applying to or attending postsecondary institutions. The decreased funding reflects a decline in the rubella enrollment.

This past year NTID received 911 applications and had a fall 1985 entering class of 426. Projections for the fall of 1986 (fiscal year 1987) indicate that of the approximately 700 applicants, an estimated 363 will be eligible for admission. Of this number, NTID will admit an estimated 225 new students. The approximately 138 remaining will be placed on a waiting list. Those applicants who do not choose alternative postsecondary pursuits will be accommodated through the course of the year as openings occur, as has been the case in the past, or be the first admitted in the fall of 1987.

The 1987 request for operations would support academic programs in the areas of career development, research, training, and information dissemination.

Career Development

The education provided at the National Technical Institute for the Deaf transcends that which is typically provided by a traditional technological institution by dealing with personal/social and communication setbacks that the deaf may experience. Through a coordinated system of direct instruction and support services such as tutoring, notetaking, instructional technology development and career counseling, the Institute strives to offer educational programs geared to the specific needs of each student. This approach has proven highly successful since historically more than 94 percent of our graduates who seek employment have been placed in jobs within six months of their graduation. Over their lifetimes, these same people are expected to pay back to the Federal Government in the form of taxes over 400 percent of the original investment in their education.

Research

NTID will continue to support applied research in the technical and general education of the deaf population. Research is conducted in the areas of speech, audiology, manual communication, visual information processing, use of the English language, personal/social accommodation, cognitive strategies, career development and decision-making, educational support services, instructional technology, the characteristics of NTID's target population, and the accommodation of graduates in the workplace. NTID will also focus a major effort on reporting of NTID proven products, procedures, and systems which have broad-based impact to other organizations with deaf education responsibilities.

The primary focus of NTID's research efforts has not deviated from the direction set forth in the 1965 Department of Health, Education, and Welfare report on the educaiton of the deaf. In that report, it was suggessed that the

> "...unsatisfactory state of education of the deaf cannot be attributed to any lack of dedication of those who teach and work with the deaf. The basic explanation lies in our failure to launch an aggressive assault on some of the basic problems of language learning of the deaf through experience or well-planned and adequately supported research, and in our failure to develop more systematic and adequate programs for educating the deaf at all levels."

In the foreseeable future, complete solutions to some of these age-old problems are beyond the scope of NTID's research efforts, but NTID has already received a number of benefits from its research efforts and as a result, students are leaving NTID better prepared for their future. In addition, research findings which can provide assistance to professionals and educators working with the deaf will continue to be disseminated through workshops and publications.

Training

Continued emphasis will be placed on training programs for professionals, graudates, interns, counselors, job placement specialists, and interpreters. In 1982, NTID began an Associate Degree program for interpreters which has been expanded from 15

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to 60 students per year. Training efforts at the Institute have increased significantly recently and will continue to increase as the existing programs are revised and refined, and as other educational institutions look to NTID for guidance in developing programs to comply with Public Law 94-142 and Section 504 of the Rehabilitation Act of 1973. Preservice training for teachers of the deaf will continue in conjunction with the University of Rochester, and in-service training will be provided through faculty exchanges, internships and fellowships.

Information Dissemination

NTID will continue sharing educational techniques and processes, research findings, and training techniques with other educational programs for the deaf.

Among other products for dissemination, the award winning quarterly publication, Focus, is currently distributed to more than 17,000 professionals in deaf education, business, and government, providing them with a greater awareness and appreciation of the capabilities of our Nation's deaf citizens. Also our Product Catalogue, featuring NTID-produced research and teaching materials, has received an outstanding response.

Endowment Grant

The $1.0 million endowment grant represents a first-time request. NTID will receive these funds as it raises additional endowment funds from non-Federal sources on a dollar for dollar matching basis. In addition, the Institute can spend up to fifty percent of the income derived from the investment of the funds for operating purposes. The use of the endowment approach is an important step toward ending NTID's dfependence on Federal funding in future years.

Summary

In summary, the 1987 request is designed to continue the National Technical Institute for the Deaf's commitment to the achievement of equal opportunities for the handicapped and to meet the challenge brought about by the rubella epidemic of the early 1960s. In the Institute's brief history, it has been shown that young deaf adults can overcome the consequences of their handicap and become contributing members of society.

Mr. Chairman, I will be pleased to answer any questions you may have.

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DEPARTMENT OF EDUCATION

National Technical Institute for the Deaf

Biographical Sketch

NAME : William E. Castle

POSITION : Vice President for Government Relations, Rochester Institute of Technology; Director, NTID

BIRTHPLACE AND DATE : Thomas, South Dakota; September 5, 1929

EDUCATION : Northern State Teacher College, 1951, B.S.
State University of Iowa, 1958, M.A.
Standford University, 1963, Ph.D.

EXPERIENCE :

PRESENT : Vice President, Government Relations - RIT
Director - NTID

Sept. 1979 : Vice President, R.I.T.
Director, N.T.I.D.
1977-1979 : Dean and Director, N.T.I.D.
1966-1977 : Dean, N.T.I.D.
1968-1969 : Assist. to the V.P. & Director of Division of Instructional Affairs, National Technical Institute for the Deaf
1965-1968 : Assoc. Secretary for Research & Scientific Affairs, American Speech and Hearing Association
1963-1965 : Assistant Professor, Speech Pathology & Audiology, University of Virginia
1961-1963 : Instructor, English, Experimental Phonetics Lab, Stanford University
Summer 1961: Instructor, Speech Correction, Central Washington State College
1960-1961 : Instructor, English, Experimental Phonetics Lab, Stanford University
1958-1960 : Instructor, Speech Correction, St. Cloud State College
Summer 1956: Customers Broker, Frank P. Dow Company
1952-1956 : Communications Specialist, United States Air Force
1951-1952 : Secondary Teacher, English & Speech, Faulkton High School

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ASSOCIATION MEMBERSHIPS:

Academy of Rehabilitative Audiology
Acoustical Society of America
Alexander Graham Bell Association for the Deaf, Inc. (Life Membership - currently serve as Past President)
American Association for the Advancement of Science
American Association of Community and Junior Colleges
American Association of Higher Education
American Association of Phonetic Sciences
American Association of School Administrators
American Deafness and Rehabilitation Association
American Speech-Language-Hearing Association
Association for Equality and Excellence in Education, Inc.
Association on Handicapped Student Service Programs in Postsecondary Education
Conference of Educational Administrators Serving the Deaf, Inc.
Convention of American Instructors of the Deaf
Council for Exceptional Children
Council on Education of the Deaf
Empire State Association of the Deaf
GeVA Theatre
International Association of Parents of the Deaf, Inc.
International Society of Phonetic Sciences
Monroe County Association for Hearing Impaired
Nathaniel Rochester Society
National Association of the Deaf
National Organization on Disability
National Organization for Women
National Rehabilitation Association
New York State Association of Junior Colleges
New York State Speech & Hearing Association
Opera Theatre of Rochester
Registry of Interpreters for the Deaf
Rochester Museum and Science Center
Rochester Philharmonic
Smithsonian Institution
Telecommunications for the Deaf, Inc.
World Federation of the Deaf

PUBLICATIONS:

Castle, W. E. "Mainstreaming Techniques for Hearing Impaired Students - What Ten Years Have Taught Us," Presented at the First Annual Conference of the Massachusetts Office on Deafness, October, 1978.

PUBLICATIONS:

Castle, W. E. "Roads to Independence," Presented at the West Coast Family Outing of the Alexander Graham Bell Association of the Deaf, November, 1978.

Castle, W. E. "Recent Developments in Vocational Education for the Deaf in the U.S.A." Presented at the 8th World Congress of the World Federation of the Deaf, Varna, Bulgaria, June, 1979.

EFFECT OF SEQUESTER

Mr. NATCHER. Dr. Castle, an amount of $1,376,000 is being sequestered from the 1986 appropriation for the Institute. Tell us briefly what effect this reduction will have on your operations.

Dr. CASTLE. As we are dealing with that reduction, we find that we will have to forego spending of $500,000 for very specialized equipment which is important to our institution, especially when we see the movement toward high technology throughout our Nation. We also have to deal with reductions of $300,000 for RIT auxiliary services to NTID. We have looked closely at controllable expenses in our budget and will try to reduce them by $125,000. We are also planning not to hold our summer vestibule program for our new students. This program is valued at $450,000.

I would like to also point out that it is my impression that Gramm-Rudman-Hollings has had a severe impact on the requested level for fiscal year 1987, and it means to us that again we will have to forego $500,000 for equipment; we will have to reduce our RIT services by $900,000; we will have to reduce our staff by 26, or the equivalent of $658,000; and we will probably not be able to accommodate 138 of the students who would otherwise plan to come to NTID.

PROPOSED AUTHORIZING LEGISLATION

Mr. NATCHER. What is your reaction to proposed legislation—S. 1874—which contains authorizations and appropriation ceilings for the Institute?

Dr. CASTLE. You are talking about the Weicker Act?

Mr. NATCHER. Yes.

Dr. CASTLE. My impression of that Act is very favorable. The concern that we expressed initially was with the makeup of the commission because it did limit the commission membership in a severe way in terms of people who have been identified with NTID and Gallaudet College. The restriction was for a three-year period. I understand that they have reduced that to a one-year period. It is much more favorable.

The other part of the Act which I thought might involve an amendment to allow NTID to admit foreign deaf students has not occurred. We have expressed interest in that. Otherwise, the Act is very favorable, as far as I am concerned, and I look forward to its enactment.

DIFFERENCES BETWEEN NTID AND REGIONAL PROGRAMS

Mr. NATCHER. Will you briefly describe the difference between the services offered by the Institute and the services offered by regional postsecondary education programs for the deaf funded by the Department of Education?

Dr. CASTLE. Yes, sir. Essentially, the services provided by NTID are overall very important technical training for deaf students. We also include the important mandates of providing opportunities to students to improve their communication skills of all kinds and to develop their personal and social skills to help them compete in the mainstream of life.

With respect to the regional institutions, I would say we are basically a technical institute providing technical and professional programs in contrast to three of the regional programs which provide basically vocational training to their deaf students. The fourth, California State University, is essentially a liberal arts program.

AVERAGE COST PER STUDENT

Mr. **Natcher**. Dr. Castle, what is the average cost per student at the Institute?

Dr. **Castle**. The average cost in terms of instruction for this current year is $14,600. If one were to divide the number of students into the total cost for NTID operation, then one would have to say the cost is $21,600 per student. However, that includes costs for research, training, public service, and the various communications training costs for this special mandate that we have beyond that which is described by the law.

PERCENT OF BUDGET NOT RELATED TO TEACHING

Mr. **Natcher**. How much of your budget would you say is devoted to research, outreach, dissemination, and similar activities not directly related to teaching deaf students?

Dr. **Castle**. 3.2 percent of our operational budget is devoted to research, 3.6 percent devoted to what we call training activities, because we have a mandate to train new professionals to work with the deaf, and 1.8 percent is used for what we call public service or information dissemination.

ADMINISTRATIVE SUPPORT SERVICES

Mr. **Natcher**. You noted in your budget justifications that salary increases for Institute employees will be funded through reduced expenditures on "less essential administrative support services." What are these services? Give us a few examples.

Dr. **Castle**. I would like my colleague to respond to that.

Mr. **Servé**. Would you repeat that, please?

Mr. **Natcher**. Yes.

In your budget justifications, you note that salary increases for Institute employees will be funded through reduced expenditures on "less essential administrative support services." What are these services? Give us a few examples.

Mr. **Servé**. In the administrative support area, we are talking—you are referring to I believe the contract services that we have in this that would be basically in our traveling, in our travel budget, supply budgets, for the Institute. In addition, professional fees which we spend would have to be reduced.

Mr. **Natcher**. It appears on page 280 of the justification there. Take a look at that.

Mr. **Servé**. That would be, again, directly related to our supply budgets, both instructional supplies used in classrooms and office supplies. Travel and professional development funding, which is essential for our faculty, would have to be cut back. Those are the types of things.

DECREASE IN FACULTY

Mr. NATCHER. In your budget justifications you indicate a proposed decrease of 26 faculty positions made possible by a reduced number of students with rubella-related deafness. How do you intend to absorb this decrease in faculty? By decreasing enrollment?

Dr. CASTLE. We intend to have 138 prospective students on the waiting list.

Mr. NATCHER. Mr. Pursell, I yield to you.

Mr. PURSELL. I have no further questions.

Mr. NATCHER. Mr. Stokes.

STUDENT WAITING LIST

Mr. STOKES. Thank you, Mr. Chairman.

Dr. Castle, your request for fiscal year 1987 is $31.380 million. Will any students qualifying for admission to NTID be turned away under your fiscal year 1987 request?

Dr. CASTLE. Yes, sir; if we have to live with that level of funding we will have a waiting list of 138 students.

RUBELLA STUDENTS

Mr. STOKES. Now tell us how well are you succeeding in accommodating students with rubella.

Dr. CASTLE. Very well. We have essentially dealt with the projected numbers for the last three years. If we cannot accommodate the 138 other students this coming fall, they will have to wait in line for accommodation. In two years the rubella bulge will be fully accommodated and probably some of the members of that group will be with NTID for at least four more years.

SALARY INCREASE

Mr. STOKES. Your fiscal year 1987 request assumes a salary increase of about 7.5 percent.

Dr. CASTLE. Yes, sir.

Mr. STOKES. And a benefit increase of 1.5 percent for your NTID employees in fiscal year 1987.

Dr. CASTLE. Yes, sir.

Mr. STOKES. Do your faculty and staff receive pay raises every year?

Dr. CASTLE. They receive pay raises in accordance with the policy of the host institution, the Rochester Institute of Technology. This policy follows the agreement between the Department of Education and RIT. The policy of the host institution should be followed with respect to NTID. If RIT were to decide there will be increases for members of staff, we follow that policy. If they were to decide there should be no increase, we would follow that policy.

Mr. STOKES. How much of your fiscal year 1987 request would be devoted to employee pay increases?

Dr. CASTLE. $1,665,600.

AFFIRMATIVE ACTION ACTIVITIES

Mr. **Stokes**. Dr. Castle, during the past year I have had discussions with you and some of your representatives regarding my concerns about minority representation among NTID students and employees. I want to say for the record that you have been very cooperative and that you have tried to do something about the situation.

Can you bring us up to date on the affirmative action activities underway at your institution?

Dr. **Castle**. I would be very happy to do so. First I would like to thank you and Congressman Hoyer for your enthusiastic interest in that matter this past year. It certainly has led us as an institution to revitalize our interest in the whole matter of affirmative action. We now have within our Institute a new policy statement regarding affirmative action.

We have set new goals for ourselves. We have a new coordinator for affirmative action, a young black lady, who is also in charge of our training activities. We have an ad hoc committee made up of current members and past members of the National Advisory Group, all of whom are members of minority groups themselves, or members of the hearing-impaired community, and we have a faculty/staff committee made up in the same manner. Progress to date shows that we have had an increase in the total minorities since September of 1984 of 58 percent, an increase in the number of blacks of 70 percent, numbering from 10 to 17, in that same period, and the number of the handicapped has increased by 6 percent. We have set goals for ourselves for 1986 to have 32 members be minority, 19 be black, and 64 be handicapped.

With respect to the students, our progress since fiscal year 1981, when the percentage was 5.6, has increased to 8.3 percent in fiscal year 1986. We have set a goal for ourselves of 10 percent by 1990.

Mr. **Stokes**. Now, last year you reported that you had 3.5 percent black enrollment.

Dr. **Castle**. That is right.

Mr. **Stokes**. And 7.9 percent total minority enrollment.

Dr. **Castle**. Total minority enrollment has increased to a certain extent but black enrollment has remained about the same. The percentage goal for 1990 is 5 percent.

Mr. **Stokes**. Now, what are your figures for minority representation among your faculty, your professional and administrative positions?

Dr. **Castle**. They increased by 70 percent from September of 1984 and that increase has been in the past year. We moved from the number of 10 to the number of 17 for blacks. The increase in terms of total minorities, overall, is just 2 short of our goal of 32 for fiscal year 1986.

Mr. **Stokes**. Was there any area where minority representation decreased?

Dr. **Castle**. No, an increase in all areas.

Mr. **Stokes**. Well, I certainly want to commend you for the efforts that you are making in this regard. We look forward, of course, to your achieving the projected goals that you described to us today.

NEW ENDOWMENT PROGRAM

What is your rationale for the budget request of $1 million for a new endowment program? How would this new program work?

Dr. **Castle**. It is not essentially our rationale. This is something that has been proposed by the Department of Education. Mr. Skelly may speak to that better than I.

Mr. **Skelly**. The $1 million proposal for the endowment is designed to encourage contributions from non-Federal sources to operations of both NTID and Gallaudet, for which we have a similar proposal. At last year's Senate authorizing hearings on NTID and Gallaudet, Senator Weicker expressed his concern that these schools begin to increase their non-Federal funding.

With that in mind, we went to OMB, and discussed with them the possibility of replicating the endowment program that we started at Howard University two years ago, which had been very successful in stimulating non-Federal support for Howard. It worked there and we think it could work at Gallaudet and NTID.

Dr. **Castle**. If I may speak to the matter.

Mr. **Stokes**. Certainly.

Dr. **Castle**. I would like to express my feeling. I think if this is approved by Congress, we will deal with it enthusiastically. However, I think it is important to point out that dealing with matching of endowment funds from private sources is a very, very difficult matter. Foundations and corporations in general are not terribly enthusiastic about putting monies into endowment funds, so you have to depend primarily on private citizens. If we have to deal with a $1 million endowment each year for a series of years, I must say it will be very difficult to find enough of those private citizens who are going to match it year by year.

Mr. **Stokes**. So then you currently do not have, nor have you had in the past, any type of endowment?

Dr. **Castle**. We have some endowment monies but they are all unsolicited at this point in our history.

Mr. **Stokes**. What amount have you currently?

Dr. **Castle**. About $250,000, which has been donated to NTID for scholarship purposes.

Mr. **Stokes**. Specifically identified for that purpose?

Dr. **Castle**. Yes, sir.

Mr. **Stokes**. Do you anticipate much difficulty in being able to match this $1 million appropriation request?

Dr. **Castle**. I do, yes. I anticipate great difficulty with that, but we will deal with it as we need to.

Mr. **Stokes**. Sure.

Mr. **Skelly**. The Department feels the $1 million in matching funds does provide a strong incentive. It is one thing to go out and ask for contributions, one dollar for one dollar's service, but when you can offer up that incentive, a dollar matching contribution for every dollar a donor would contribute to the school, it probably increases the likelihood of the contribution.

Mr. **Stokes**. I see. Thank you very much. Thank you, Mr. Chairman.

Mr. Natcher. We want to thank you and your associate for appearing before our committee at this time on behalf of your budget request for fiscal year 1987.

Dr. Castle. It is a pleasure to be here.

[The following questions were submitted to be answered for the record:]

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF MATCHING GRANT PROGRAM

Mr. Conte: What do you think of the proposal to initiate a $1 million matching grant program to establish an endowment at the Institute? Will this put you on the road to self-sufficiency, as the justifications suggest?

Dr. Castle: This proposal has considerable merit as encouragement and support for the establishment of an endowment at NTID. If we were fortunate enough to raise $1,000,000 and receive $1,000,000 from the grant each year for the next 20 years, the income we might hope to receive from the aggregate would be about $6,000,000 per year. This would represent progress in moving towards self sufficiency, but clearly not self sufficiency.

RELATIONSHIP BETWEEN NTID AND RIT

Mr. Conte: Can you explain for me the relationship between your Institute and the Rochester Institute of Technology? What kinds of agreements do you have with the host institute and how do you share your facilities?

Dr. Castle: NTID operates under the terms of an agreement between the Rochester Institute of Technology and the Department of Education, as provided in Public Law 89-36. NTID is one of the nine colleges of the Rochester Institute of Technology. The faculty and staff of NTID are first and foremost employees of RIT and as such are subject to the rights, privileges, and responsiblities of all RIT faculty and staff. They are subject to all of the personnel and policy practices of the host institution. These include salary increments, benefit packages, and faculty governance procedures. NTID faculty and staff sit on institute-wide committees and councils and play significant roles in the operation of the RIT academic community.

NTID is also subject to the policies, practices and controls of RIT as they relate to fiscal operations. NTID is a part of the annual financial and operations audit performed by RIT's independent auditing firm. NTID purchases services from RIT for its students. The services include the operation and maintenance of all physical facilities used by NTID students at RIT such as the residence halls, food service facilities, and academic buildings.

NTID students freely cross-register into the other colleges of RIT for both individual courses and for complete programs for those students who choose to pursue Baccalaureate degrees. All of the facilities and program offerings on the RIT campus are available to and accessed by NTID students. These include academic, athletic and recreational programs and facilities.

Facilities between RIT and NTID are freely shared. For example, the NTID residence halls can accommodate 800 students. NTID students, however, may occupy rooms on any part of the RIT campus. By being responsible for the operating costs of the NTID residence halls, NTID is guaranteed space for 800 students any where in the campus residence hall complex. This supports NTID's policy of integrating hearing and hearing impaired students at all levels of campus activities. The same is true for the operation of food services for the students. While NTID supports the cost of a dining facility, deaf students are free to eat meals in the RIT dining facility if they wish. Conversely, RIT hearing students live in the NTID sponsored residence halls and eat meals in the NTID dining facility.

Under the agreement with RIT, NTID supports the operating costs of its dedicated facilities as well as paying a proportional share of the other facilities and operations of RIT which are used by and benefit NTID faculty, staff and students.

Mr. Conte: Are these agreements fully considered when your budget is drawn up?

Dr. Castle: Yes. NTID works very closely with RIT staff in formulating and monitoring budgets and expenditures. The budget processes of NTID and RIT are closely integrated by necessity, as a result of the level of shared and purchased services. NTID holds numerous planning meetings with the finance and accounting staff of RIT, directors of food services, residence halls, physical plant operations, and campus safety, to review levels of services that are to be provided and the costs associated with those services. These ongoing relationships are maintained to assure the provision of quality and appropriate services at the lowest cost possible. Additionally, NTID staff sit on RIT committees which have responsibility for campus-wide cost controls.

ENROLLMENT DECLINE

Mr. Conte: It appears from the budget documents that your enrollment is declining. Where do you see the overall numbers bottoming out?

Dr. Castle: It is difficult to say, but based on the current trend towards career education and the increased awareness of NTID and what it has to offer, we feel that our enrollment will normalize at about 1100, which is 100 more than we had before rubella.

Mr. Conte: Will you end up with excess and unused capacity at the Institute when the numbers hit that level?

Dr. Castle: At an enrollment level of 1100, NTID will be operating at 150-200 less than the capacity of our academic facilities.

BUDGET FOR RESEARCH ACTIVITIES

Mr. Conte: How much are you budgeting for research activities in FY 1987?

Dr. Castle: Applied research expenditures at NTID in fiscal year 1987 will total $1,162,900. This is 3.2 percent of NTID's total budget. The research activities will be focused in the areas of education and cognition, communications and assessment, and graduate accommodation.

Mr. Conte: Can you tell us about some of the specific benefits that have accrued from your research efforts at NTID?

Dr. Castle: A primary purpose of NTID's research is to influence educational policies and practices by providing NTID faculty and staff, practioners in the field of deaf education, and public policy makers with information about:

--characteristics of potential deaf college age students;

--assessment tools needed to evaluate the skill levels of deaf college students;

--educational modifications necessary to meet the needs of deaf college students; and

--attainments of deaf adults in the labor market.

Research studies on characteristics of potential college students provide background on variables such as types of secondary and postsecondary settings attended by students, geographic dispersion of potential students and unique educational needs of NTID's target population. These studies assist in development of student recruitment and marketing strategies and in providing of career and college information to deaf students nationally. An example of such research is the lead role NTID has played in defining the impact of the 1963-65 rubella epidemic on enrollments at the postsecondary level. Also, in conjunction with Gallaudet College, data are collected to produce the College and Career Programs for Deaf Students--a directory available to deaf students nationally.

Student assessment is fundamental to the tailoring of instruction to the learning needs and aptitudes of individual students. Many diagnostic instruments and techniques have been developed and validated through research at NTID for use in students' placement and training in the communicative, academic and developmental areas. The test battery comprising what is known as the NTID Communication Profile is now used broadly throughout the country for assessment and prescriptive diagnosis of older deaf students and deaf adults. This profile is an example of an instrument first developed and applied at NTID, and subsequently adopted for use in educational clinical settings elsewhere.

The primary instructional support services provided to hearingimpaired students cross-registered in the various colleges of RIT, i.e., interpreting, notetaking, tutoring, have all been initiated based on research conducted at NTID, and researchers continue to play an active role in their refinement and evaluation. It might be added that a fourth support service, the computer-based real-time conversion of lectures into print, is now being added as a service valued by students based on a three-year research and development effort at NTID. Virtually all postsecondary educational programs for the deaf have adopted instructional support services for deaf students in mainsteamed classes which were first examined and refined at NTID/RIT. As a result, NTID is acknowledged nationally for its leadership through research and training in providing support services to deaf students in mainstreamed environments.

NTID has developed programs of research aimed at describing the attainments of deaf adults in the United States, especially as the attainments relate to success in the world of work. Through followup of graduates of NTID, and of graduates from 27 secondary-level programs for the deaf throughout the country, demographic, employment, and occupational information is routinely gathered and the results disseminated nationally. A project currently underway in collaboration with the Internal Revenue Service permits analysis of the earnings, taxes paid, and unemployment compensation received by a sample of adult deaf persons nationally. This information is fundamental to our evaluation of the return on the taxpayers' investment in an NTID education.

The areas cited above, i.e., demographics of postsecondary deaf persons, assessment and diagnosis, instructional support services and graduate follow-up, are examples of the role of research at NTID in working in concert with other professionals in the development of practical, tenable solutions to selected problems and issues faced by educators and policymakers concerned with support of hearing-impaired persons. This summary is by no means an exhaustive one, but rather representative of the more than 1,000 research publications and reports cited in bibliography of research conducted at NTID, which is available at your request.

Mr. Conte: Do you charge a fee for the research and training materials you produce, or are they provided free upon request?

Dr. Castle: Much of what we provide on the order of research to other programs and professionals working with the deaf is free. However, we do charge for published materials or modules, and text books. Additionally, we provide training and training materials to others on a cost recovery basis. For instance, last year we conducted several workshops for over 500 supervisors and managers in private industry called, Working Together: The Manager and the Hearing-Impaired Employee. This was done at a modest fee which covered our costs.

FULFILLMENT OF NATIONAL RESPONSIBILITIES

Mr. Conte: Do you think NTID is fulfilling its mandate to improve deaf education and economic opportunities for deaf citizens nationally?

Dr. Castle: There is no question in my mind that we are indeed fulfilling our mandate to improve the lives of deaf citizens nationally. We now have graduated over 2,200 students in our brief 17 year history, who are out working in the mainstream of America. Eighty percent of them are working in the private sector, which is a fact we are very proud of. In addition they are earning on the average nearly $20,000 per year. A recent study conducted by NTID in cooperation with the Internal Revenue Service showed that deaf baccalaureate graduates earn nearly the same as hearing RIT graduates with bachelor's degrees (only a seven percent difference.) This makes sense given that they all go through the same programs and receive the same quality degree. It surprised us, pleasantly, nevertheless.

The above is the first and foremost mandate of NTID and as you can see, we are doing the job that Congress set for us back in 1965 which was to reduce the prevalent unemployment and underemployment conditions for deaf people in the U.S. We also were given other responsibilities which were to conduct research and training programs and to disseminate findings, information and successful programs that may help deaf citizens nationally. Because of the rubella epidemic and resource constraints over the past few years, we have not emphasized these other mandates as much as we have in the past. However, now that the impact of rubella is beginning to subside, we have embarked on an ambitious program we call the Educational Development Outreach Project.

The project, whose goal is to facilitate the career development of deaf people nationally, was created as a direct result of a 1985 Senate Subcommittee on the Handicapped request for NTID to mobilize its resourcess to expand its overall impact on external deaf audiences, as well as those professionals serving the deaf.

Overseeing the project is an Institute-appointed project director, steering committee and five subcommittees. Approximately 60 faculty, staff and administrators are involved in this two-year effort.

External groups designated as outreach audiences include deaf high school and/or college graduates, employers of deaf individual and vocational rehabilitation professionals, individual and organizational affiliated parents of NTID students and graduates, professionals working in residential high schools for the deaf, K through 12 mainstreamed schools, and postsecondary schools, and a category called special publics. The latter will address the needs of deaf consumers in relation to problems of access to health and telecommuncations services, and assist the providers of these services in meeting the needs of deaf clients.

During the first year of the project, subcommittees are identifying the needs of these various external audiences and ranking them in two ways. First, a ranked list based on NTID's ability to provide direct services using its own resources and staff will be generated. Second, a ranked list of national needs without regard to the direct service capability of NTID will be developed. In some instances, where NTID is unable to provide a direct service, identified needs will be addressed in a less comprehensive manner. For example, other agencies capable of meetings a set of needs may be notified, cooperative efforts may be investigated, or journal articles may be written to alert appropriate national figures in deafness to the problems facing individuals.

The second year goal is the development of specific strategies designed to address each need. As noted earlier, each need will be addressed either through a direct service strategy, or through a less comprehensive activity. Full implementation of the project will occur in fiscal year 1988, with the establishment of an organizational structure to facilitate such implementation.

NTID REACTION TO GAO REPORT

Mr. Conte: Can you place a statement in the record in response to the recent GAO report entitled "Deaf Education: Costs and Student Characteristics at Federally Assisted Schools"?

Dr. Castle: For the most part we are satisfied that the report accurately presented the data in a fair and equitable manner. I feel compelled, however, to explain our cost per student, which to the uninitiated reader may seem high. The GAO study published in February 1986 compared the costs per student at NTID with Gallaudet and the four centers participating in the Regional Postsecondary Education Program for the Deaf. The GAO data indicate that for similar education and support expenditures, NTID compares very favorably. This comparison becomes more evident when the differences among the institutions in the nature of the curricula offered and the delivery of these similar services are taken into account.

NTID programs are technical and professional compared to many of those in the other situations which are vocational or liberal arts. For example, NTID offers majors in Computer Assisted Design and Manufacturing, Applied Photography, and Civil Technology. These technical and professional programs are more expensive to operate than liberal arts programs in terms of capital equipment and space requirements, faculty salaries, supplies and other related expenses. In addition, highly technical courses with labs require smaller class sizes due to the limited number of work stations. Consequently, we need more space and smaller class sizes that do conventional educational programs.

The regional institutions to which NTID is compared are primarily commuter schools while NTID is primarily residential. Thus

NTID incurs additional expenses associated with the provision of residence halls, food service facilities and campus life programming.

The ratio of deaf students to hearing students on the campuses of the Regional Programs range from a high of 4.5 percent to a low of 0.3 percent. The NTID students comprise nearly 13 percent of the total RIT student body and when combined with faculty and staff, NTID makes up 15 percent of the RIT community. NTID has six dedicated buildings for its programs which account for 20 percent of the square footage on the RIT Campus. Thus NTID has a significant impact on RIT and requires many dedicated resources for its programs.

When using the methodology presented by the GAO, the following illustrates how NTID's per student costs have increased from fiscal year 1983 projected through to fiscal year 1987.

Education costs	6.2 percent
Support costs	1.0 percent
Unique costs	4.8 percent

The Higher Education Price Index, which is a measure of inflation on the cost of postsecondary education, increased over this same period of time by 24 percent. All things being equal our increases have been very modest; but when one considers that our enrollment over this same period increased by 30 percent, one quickly reaches the conclusion that NTID has taken some extensive cost cutting measures.

What the GAO data indicate are that the provision of postsecondary technical education for the deaf is expensive no matter what form it takes. However, the costs incurred by NTID in carryint out its programs are reasonable given its technical and professional curricula, its residential character and its proportion of the RIT campus as a whole. The cost per student has actually decreased in real terms when compared to higher education in general. When one adds the dramatic increase in NTID's enrollment it becomes obvious that there have been substantial efficiencies, but the potential exists for real program decline in the future.

ADEQUACY OF FEDERAL FUNDS

Mr. Conte: Don't you feel that the increases you have received over the past three or four years have been sufficient to run your program without serious harm, especially in light of what other programs have experienced over the same period?

Dr. Castle: We eliminated less essential administrative support services over the past four or five years. This would be the third year in a row that NTID would be at the same level of funding. All the other cost-reduction efforts we have made over the past four years to hold our appropriation increase to only 16.4 percent, while our student population grew by over 30 percent and inflation by 12 percent, have left us with little else to cut. We cannot go another year without inflationary relief without cutting into essential services for students. The key point here is that, while other programs may have been level fuunded over the same period, they may well have stayed the same or reduced in size. NTID, on the other hand, has grown substantially.

NTID's EXPENDITURES RETURNED TO RIT

Mr. Conte: During last year's hearings it was stated that nearly 40 percent of NTID's expenditures are returned to the host institution, RIT. Bring us up to date on the current status of these expenditures and why such a large proportion of your funds should be allocated in this way?

Dr. Castle: The total amount of funds paid to RIT by NTID over the past six years has averaged 32 percent of the total NTID budget.

Currently we are projecting this to be 34 percent in the fiscal year 1987 budget. These expenses, as a percentage of the NTID budget, have remained stable over this period in spite of the fact that the NTID student population has risen by over 30 percent and additional dedicated space has been constructed and is operating specifically for NTID programs.

SERVICES PURCHASED FROM RIT

Mr. Conte: What are the services purchased from RIT?

Dr. Castle: It is important to look at the detail of what services are purchased from RIT. A common misconception is that payments to RIT are only for indirect charges (overhead). In actuality, the payments to RIT may be separated into three distinct categories of reimbursement:

Direct services - Custodial/maintenance services
Utilities
Taxes/insurance
Space rental
Telecommunications support
Security services

Student related - Tuition for students taking courses in RIT colleges
Residence halls
Food service

Student health services
Athletic/physical education fees
Medical insurance

Indirect charges - Overhead

These charges are projected to comprise the following percentages of the total NTID budget in fiscal year 1987:

Direct services	5.1 percent
Student related	15.9 percent
Indirect charges	13.4 percent

The direct services are related to the space occupied by NTID on the RIT campus as well as the number of faculty and staff used to deliver our programs. NTID has over 2,000 students, faculty and staff comprising 15 percent of RIT staff and students with six dedicated buildings making up 20 percent of the total square footage on the RIT campus.

Student related expenses are, to a large extent, a pass-through of the room, board, and fee collections from students.

The payment of indirect charges has drawn the greatest amount of attention over time. These costs, which are projected to be 13.4 percent of the total NTID budget in fiscal year 1987, appear to be quite modest when looked at from the perspective of a proposal published in the February 12, 1986, Federal Register which would limit the university reimbursement for the administrative costs of research grants and contracts to 26 percent of direct charges. This level was set at 26 percent because that is the current average of the costs allowed to universities. In other words, many of the universities in the United States are reimbursed for indirect charges at a rate in excess of 26 percent. While the reimbursement situations between research grants and contracts and the NTID/RIT relationship are not directly comparable, the fact that the NTID rate is about one-half of the 26 percent average would suggest that the level of these payments is reasonable.

In summary, while it is true that a substantial portion of the NTID budget is allocated to "Institutional Services" the benefits received are specific and reasonable. The "economies of scale" of NTID sharing the campus of RIT have certainly provided direct programmatic cost savings to the Federal Government. This was the intent of the National Technical Institute for the Deaf Act when it provided that NTID must be an integral part of an already existing institution of higher learning.

Mr. Conte: How do these expenses compare to those incurred by the Regional Programs?

Dr. Castle: In the GAO report which was released in February 1986 the per student costs at NTID were compared to the four Regional Programs and Gallaudet. The costs incurred by NTID and paid to RIT were a part of this analysis.

The GAO divided these expenses between two categories of costs. Support Costs and Unique Costs. Where comparable, NTID costs were shown to be quite reasonable. The major support costs at each of the schools were institutional support and plant maintenance and operations. Institutional support includes college administrative costs incurred to educate deaf students. The study indicated that 12.4 percent of NTID total costs are for administrative services provided by RIT. Of the six institutions reviewed NTID had the third highest costs. The costs for plant maintenance and operations were also deemed to be reasonable in view of the fact that NTID has six buildings dedicated primarily for the deaf as opposed to the Regional Programs which have very little, if any, dedicated space on the campuses on which they reside. NTID again had the third highest cost in this category. It is interesting to note that from fiscal year 1983 through fiscal year 1987, NTID's support costs as designated by the GAO have grown on a per student basis by only one percent.

The category of costs defined by the GAO as Unique contains the balance of the payments made to RIT. These are not comparable to the Regional Programs as these are the costs for the operation and maintenance of the dormitories and food service facilities. The Regional Programs are primarily commuter schools and do not incur similar types of expenses.

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

AFFIRMATIVE ACTION

Mr. Hoyer: Last year Congressman Stokes and I expressed concern over affirmative action and the number of minority students and minority faculty and administrators. You have been very responsive to our concerns. I want to commend you for your efforts particularly those of Gus Thompson. Gus recently came by my office and presented my staff person with an update of the chart that appears on page 279 of your justification. For the record, please discuss what has transpired since last year's hearing and what is planned for the future.

Dr. Castle: Since last year's hearing we have completed the following actions:

Accomplishments

April	I charged executive management with the responsibility to develop more aggressive affirmative action strategies and goals for all protected classes.
June	We completed an internal workforce analysis.
6/11/85	We identified Affirmative Action (AA) as a priority for the future in our testimony before the Senate Sub-Committee on the Handicapped.
7/1/85	We identified AA as a priority in our fiscal year 1987 budget submission.
July	We completed an external workforce analysis.
July	We identified problem areas within NTID that needed special attention.
June/July/ August	We actively sought new sources of protected class resumes and vigorously promoted their consideration by our hiring management.
9/11/85	We drafted a set of interim strategies to effectuate immediate change involving all assistant deans and directors. o We designated our Training Manager as AA Coordinator reporting to the V.P. and Director, NTID. o We agreed to establish a National Advisory Group subcommittee on AA and an In-House AA committee. o We modified the NTID Policy Statement to include all protected class members.

9/13/85	We reviewed our AA plans with RIT personnel to gain their commitment and modified as appropriate.
9/18/85	We reviewed our AA plans with past and current National Advisory Group (NAG) members and modified as appropriate.
9/19/85	We reviewed our AA plans with your staff and those of Congressman Stokes and modified as appropriate.
9/20/85	We disseminated the newly modified policy statement to all employees and updated goals for staff and students.
11/5/85	We reviewed our AA plans with Congressman Stokes and yourself and modified as appropriate.
11/7/85	We reviewed our AA plan with the entire NAG and formally established the NAG Sub-Committee on AA.

1986

1/7/86	We re-affirmed NTID's commitment to AA with all NTID staff in "State of Institute" message.
January	We reviewed our AA plans with all NTID Management (Chairpersons and Managers).
January	We disseminated a communique to all employees re: AA progress to date.
January	We formally established an In-House Committee on AA to develop a specific set of longer term strategies for NTID that will become part of the greater Institute's (RIT) Affirmative Action Plan by 8/1/86.

We intend to maintain our momentum into the future by completing the following:

Plans for the Future

May	We will hold a joint meeting of NAG Sub-Committee on AA and representatives of In-House Committee on AA to discuss and validate strategies proposed by the In-House Committee.
September	We will disseminate long range strategies developed by the Committees to all employees.
September	We will build AA into NTID's annual planning process.

October and beyond	We will implement the longer term strategies.

Mr Hoyer: To what do you attribute your success to date?

Dr. Castle: It is difficult to pin-point a reason for such success, but I did learn something from the process. Affirmative Action, if it is to be successful, must be an interactive process between management and all employees. It's one thing for management to write letters and send out goals, which we have done for many years, but it is quite another to have discussions with your employees, understand their concerns and enlist their support. We presented this affirmative action problem to our employees as if it was everyone's problem, not just management's. Consequently, people from all corners of the Institute are working on it, not just a few.

One other observation, and that is, to simply hire an Affirmative Action Manager and ask him or her to find minorities and handicapped will not work unless top management is committed and the rest of the organization is behind you. You can't accomplish it without involvement; and involvement is the operative word here. It seems simple and obvious, but it is so often overlooked.

RUBELLA FUNDING

Mr. Hoyer: How much money is included in your request for educating rubella students?

Dr. Castle: In the current budget request of $30,380,000 an amount of $1,496,000 has been designated as funds for educating rubella students. It is important, however, to make the point that in fiscal year 1987 that 40% of our enrollment will be made up of students who have become deafened by rubella. The additional funding that NTID has received would more properly be designated as support provided for the increase in enrollment over the pre-rubella enrollment year of fiscal year 1983. The fiscal year 1983 fall enrollment was 993 deaf students. Subsequent fall enrollments have been 1260 for fiscal year 1984, 1319 for fiscal year 1985, 1296 for fiscal year 1986, and could be as high as 1250 for fiscal year 1987.

When requesting funds for serving deaf students, NTID does not base the request on the etiology of deafness but rather on the number of students it expects to serve. The so-called "rubella increment" is used to track the extra monies given to NTID to fund the extra students resulting from the rubella epidemic. The way we view it, it is extra money earmarked solely to help us serve nearly 260 more students than we did in fiscal year 1983, regardless of the cause of their hearing loss.

GAO FINDINGS

Mr. Hoyer: As I understand it, GAO is currently conducting a study of per pupil costs at NTID. When do you expect to get the results?

Dr. Castle: The General Accounting Office (GAO) completed the study of the per pupil costs at NTID and released its results in February 1986 in a report entitled, "DEAF EDUCATION: Costs and Student Characteristics at Federally Assisted Schools." In this report, GAO compared the costs per deaf student at NTID, Gallaudet, and the four centers participating in the Regional Post-secondary Education Program for the Deaf.

ENDOWMENT PROPOSAL

Mr. Hoyer: Concerning the endowment fund of $1 million, would this $1 million have otherwise been included in the FY 87 budget request?

Mr. Skelly: The issue of including the $1 million for the endowment grant program in the 1987 request for operations was never discussed. However, it was thought the endowment grant had the advantage over the existing direct appropriation in that it would stimulate contributions from non-Federal sources. NTID has never attempted to raise private funds in the past, and does not receive revenues from RIT's fundraising efforts. The endowment approach will encourage NTID to begin its own fundraising program. The revenue from those matching funds can be used in support of NTID's per student expenditures as well as reducing its dependence on direct Federal appropriations.

BUDGET REQUEST TO DEPARTMENT

Mr. Hoyer: Dr. Castle, what was your original request for fiscal year 1987?

Dr. Castle: At the Department's request, we submitted budgets for three planning levels: $31,400,000; $33,400,000; and $35,070,000. Our actual request was for $32,900,000, not including an endowment.

WEDNESDAY, APRIL 16, 1986.

HOWARD UNIVERSITY

WITNESSES

JAMES E. CHEEK, PRESIDENT, HOWARD UNIVERSITY

CASPA L. HARRIS, JR., VICE PRESIDENT FOR BUSINESS AND FISCAL AFFAIRS-TREASURER

CARLTON P. ALEXIS, VICE PRESIDENT FOR HEALTH AFFAIRS

MICHAEL R. WINSTON, VICE PRESIDENT FOR ACADEMIC AFFAIRS

THOMAS P. SKELLY, DIRECTOR, BUDGET SYSTEMS DIVISION, OFFICE OF PLANNING, BUDGET AND EVALUATION

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE

Mr. NATCHER. We will take up next Howard University.

We have before the committee at this time Dr. James E. Cheek, President of Howard University. Dr. Cheek, it is always a pleasure to have you appear before our committee. Before you give us your statement, tell us who you have with you at the table, please.

Dr. CHEEK. Yes, Mr. Chairman, thank you. To my immediate left is Dr. Caspa Harris. Dr. Harris is our Vice President for Business and Fiscal Affairs. To his left is Dr. Carlton Alexis, our Vice President for Health Affairs.

Mr. NATCHER. We are delighted to have all of you before the committee. Dr. Cheek, we would be pleased to hear from you.

OPENING STATEMENT

Dr. CHEEK. Thank you, Mr. Chairman. I will submit my opening statement for the record.

Mr. NATCHER. Fine.

Dr. CHEEK. And summarize it.

First, I would like to express on behalf of all of my colleagues, and our students, our appreciation for the opportunity to appear before the committee. Howard's request for 1987 is $157.2 million, which includes funding for partial support of the academic program, the endowment matching fund program, and for partial support of the Howard University Hospital.

With respect to the academic program, we are requesting a total of $133.1 million, which represents an increase of $3.8 million above the 1986 postsequester level. This increase is being requested in order for the University to provide faculty salary increases, and we should note that we have not been able to provide any faculty salary increases since 1984.

It also will enable us to fund the University retirement program, which is required by law, and also to put the matching endowment back to the level at which it was before sequestration. We also are requesting that the Hospital appropriation be restored to the level that it has been prior to the imposition of the Gramm-Rudman-Hollings legislation.

That concludes my summary, Mr. Chairman.

Mr. NATCHER. Thank you, Dr. Cheek.

[The statement of Mr. Cheek follows:]

DEPARTMENT OF EDUCATION

Statement by the President of

Howard University

Mr. Chairman and Members of the Committee:

It is my distinct privilege and pleasure to appear before you on behalf of the Department of Education to present the 1987 budget request for Howard University.

Howard University's request for 1987 is $157.2 million which includes funds for partial support of the Academic Program, the Endowment Matching Fund Program and for partial support of Howard University Hospital. I now wish to explain the funding request for each of these components of the fiscal year 1987 appropriation.

Academic Program

A total of $133.1 million is requested for partial support of the Academic Program which represents an increase of $3.8 million above the 1986 postsequester level. The increase in the Academic Program request includes $2.7 million for faculty salary increases averaging 4.5 percent; $1.0 million for partial support of the University's retirement requirement and $150,000 for non-faculty periodic step increases and promotions. This request will provide our faculty their first increase in salary since 1984. According to the American Association of University Professors (AAUP) national survey in academic year 1986 for category I institutions, namely complex, comprehensive universities which is Howard's classification, the University has now fallen behind our peer institutions in virtually all faculty categories.

The increase in funds requested for partial support of the University's retirement program is needed. Federal law (the Pension Reform Act of 1974) mandates that funding be made annually to established pension plans and the University will be required to secure the funds from other sources or consider major revisions to the current retirement plan.

Endowment Program

The sum of $2.0 million is requested for the matching endowment program. We received an appropriation of $2.0 million in 1985 for this program which we have matched dollar for dollar but for $200,000 to date. We have pledges that will allow us to exhaust these funds prior to June 30, 1986 if the pledges are realized. For 1986, $2.0 million was appropriated, $86,000 sequestered under P.L. 99-177, and $914,000 is proposed for rescission. If the rescission is approved, $1.0 million will be left for further grants in 1986, after the 1985 funds are completely matched. An additional $2.0 million is requested for 1987.

Howard University Hospital

The 1987 budget request for Howard University Hospital is $22.1 million, the same amount as appropriated in 1986 before the reduction mandated by the Gramm-Rudman-Hollings legislation. If this request is approved it will restore the Hospital appropriation to the same level of funding, $22.1 million, that has existed since 1977.

Proposed 1986 Rescissions

The Administration has proposed that $5.7 million in appropriated funding for Howard University for fiscal year 1986 be rescinded. The proposed rescissions are in two appropriation categories: $4.8 million in the research category and $914,000 in the matching endowment fund category.

Mr. Chairman, I shall be happy to answer questions that you or other members of the Committee may present concerning our appropriation request for 1987. On behalf of our faculty, staff and students, I express to you and the members of this subcommittee our profound appreciation for your past and continuing support of Howard University in its determination to provide high quality education primarily for a segment of our population that continues to suffer from a legacy of neglect and deprivation.

As we continue our efforts to increase financial support for Howard from the private sector, it is important that we emphasize that the role of the Federal Government in providing a stable base for Howard's financial resources is critical for all of our private sector fund-raising efforts as well as for increasing our support from other Federal sources.

CURRICULUM VITAE

JAMES EDWARD CHEEK

DATE AND PLACE OF BIRTH:

December 4, 1932, Roanoke Rapids, North Carolina

NAME AND HOMETOWN OF WIFE:

Celestine Juanita Williams; Newton Grove, North Carolina

CHILDREN:

James Edward, Jr.
Janet Elizabeth

EDUCATION

Elementary
- Public Schools, Greensboro, North Carolina

Secondary
- James B. Dudley High School, Greensboro, North Carolina
- Immanuel Lutheran College, Greensboro, North Carolina

Undergraduate
- Shaw University, Raleigh, North Carolina; Bacholor of Arts, 1955

Professional
- Colgate-Rochester Divinity School, Rochester, New York; Master of Divinity, 1958

Graduate
- Drew University, Madison, New Jersey; Doctor of Philosphy, 1962

HONORS AND RECOGNITIONS:

Honorary Degrees:

- Doctor of Humanities, Shaw University, 1970
- Doctor of Humane Letters, Trinity College, 1970
- Doctor of Laws, North Carolina Agricultural and Technical State University, 1971
- Doctor of Laws, Drew University, 1971
- Docteur Honoris Causa, l'Universite d'Etat d'Haiti, 1972
- Doctor of Education, Providence College, 1972
- Doctor of Laws, Delaware State College, 1972
- Doctor of Humanities, University of Maryland, 1975
- Doctor of Divinity, Bucknell University, 1975
- Doctor of Laws, New York Institute of Technology, 1980
- Doctor of Humane Letters, Duke Univeristy, 1982
- Doctor of Humane Letters, Fisk University, 1984
- Colgate-Rochester Graduate Fellow, 1958
- Lilly Foundation Fellow, 1958 and 1959
- Rockefeller Doctoral Fellow, 1960
- Recipient of The Presidential Medal of Freedom, February 23, 1983

PROFESSIONAL POSITIONS:

President, Howard University, July 1, 1969 -
President, Shaw University, Raleigh, North Carolina, 1963-69
Assistant Professor of New Testament and Historical Theology, Virginia Union University, Richmond, Virginia, 1961-63
Visiting Instructor in Christian History, Upsala College, East Orange, New Jersey, 1960 (Summer)
Instructor in Western History, Union Junior College, Cranford, New Jersey, 1959-61
Teaching Assistant in Historical Theology, Drew Theological School, Madison, New Jersey, 1959-60

PROFESSIONAL MEMBERSHIPS:

American Academy of Religion
American Association of University Professors
American Society of Church History
National Association of Biblical Instructors
National Society of Liberature and the Arts
Religious Research Association
Society for Biblical Literature and Exegesis

MEMBERSHIPS AND ASSOCIATIONS:

BOARD OF DIRECTORS:

First American Bank of Washington, N.A.
National Permanent Bank, Washington, D.C.
National Association for Equal Opportunity in Higher Education
National Capital Area Council, Inc., #82 Boy Scouts of America
Peace Corps 25th Anniversary Foundation
Public Broadcasting Service (PBS)
United Nations Association, Capital Area Division, Board and Advisory Committee
The James S. Brady Presidential Foundation

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Washington Center for Metropolitan Studies
Choral Arts Society of Washington, Honorary
Institute of International Education, Honorary

BOARD OF ADVISORS:

AAAS - Smithsonian Institution, Advisory Committee
American Arts Association, State Advisor in the District of Columbia

BOARD OF ADVISORS, Continued:

- Association for the Integration of Management, Inc. Advisory Council
- Close Up
- Colgate-Rochester Divinity School, Advisory Board
- GWETA, Community Advisory Council
- InterFuture, International Advisory Council
- International Telephone and Telegraph Corporation, College Scholarship Program
- Minorities in Engineering, National Advisory Council
- The National Black Monitor
- National Coordinating Council on Drug Abuse, Education and Information, Inc.
- National Council for Black Studies, National Advisory Committee
- National Urban League and Booker T. Washington Foundation TV Career Awareness Advisory Review Board
- School Review, National Advisory Board
- Speak Out!
- Washington Urban League
- Who's Who in America
- National Medical Fellowships, Inc., Honorary Advisory Board

BOARD OF EDITORS:

- Black Forum, Inc.
- The Journal of Religious Thought, Honorary Chairman

MEMBER:

- American Association of University Women, Task Force for Women's equity
- American Council on Education, National Panelist
- American Foundation for Negro Affairs
- American Management Association, Inc.
- Center for the Study of the Presidency, Board of Educators
- College Entrance Examination Board, Committee on International Education
- Institute of International Education, National Council
- Mid-Eastern Athletic Conference, Executive Committee
- Mordecai Wyatt Johnson Memorial Fund
- National Committee for Full Employment
- Task Force on International Affairs, D.C. Government
- The Conference Board
- United States National Commission for the United Nations Educational Scientific and Cultural Organization (UNESCO)
- Van Cle World Association, Scientific Committee
- Virgin Islands Department of Health, Fundraising Steering Committee, Honorary
- Washington, D.C. Cornaro Tercentenary Committee, Honorary

Special Consultant to the President of the United States on Black Colleges and Universities, May-June, 1970

President's Commission on Campus Unrest (The Scranton Commission), June-October, 1970

Board of Foreign Scholrships, 1970-74

BIOGRAPHICAL LISTINGS:

WHO'S WHO IN AMERICA (Marguis Edition)
THE INTERNATIONAL WHO'S WHO
WHO'S WHO AMONG BLACK AMERICAN
WHO'S WHO IN AMERICAN EDUCATION
WHO'S WHO IN GOVERNMENT
WHO'S WHO IN THE SOUTH AND SOUTHWEST
1968 Edition of OUTSTANDING YOUNG MEN IN AMERICA
1973 Edition of MEN OF ACHIEVEMENT
1974 Edition of LEADERS IN EDUCATION

MISCELLANEOUS:

Phi Beta Kappa, Scholastic Honor Society
Alpha Kappa Delta, Sociology Honor Society
Omicron Kappa Upsilon, National Dental Honor Society
Phi Delta Kappa, Education Honor Society
Sigma Pi Sigma, Physics Honor Society
Alpha Theta Nu Theological Fraternity
Alpha Phi Alpha Fraternity

U.S. Air Force, 1950-51

Mr. NATCHER. Dr. Cheek, as you have heard me say on more than one occasion, I think since you have been President of Howard University you have performed your assignment in an excellent manner.

Dr. CHEEK. Thank you.

Mr. NATCHER. Long before I became chairman of this subcommittee, as you know, I was chairman of another subcommittee. That subcommittee from time to time had matters pertaining to Howard University, and I followed your career as President all down through the years, and Howard University generally, for the 32 years and 10 months that I have been up here. Dr. Cheek, I think you and your associates have done an excellent job.

Dr. CHEEK. Well, thank you very much, Mr. Chairman.

EFFECT OF SEQUESTER

Mr. NATCHER. Dr. Cheek, an amount of $7,062,000 is being sequestered from the 1986 appropriation for Howard University. Tell us briefly what effect this reduction will have on your operations.

Dr. CHEEK. Mr. Chairman, it has required the University to defer the payment of faculty salary increases that were scheduled, as I indicated in the summary of my opening statement. We have not been able to provide increases since 1984. It also has caused us to postpone for an indefinite period of time consideration of any increases for non-teaching faculty. Thirdly, it required the University to fund the retirement program at a level of $1 million, which obviously we had to take from some other source since that is a requirement under law and therefore postponing some of the services and activities that had been scheduled.

It also eliminated from any consideration providing increases for promotions to non-teaching faculty. It also reduced the amount that had been appropriated for the research program and reduced the Hospital's appropriation by almost $1 million.

ADEQUATE FUNDING FOR OPERATIONS

Mr. NATCHER. Your 1987 budget request of $157,170,000 for Howard University is comparable to the 1986 appropriation prior to reductions imposed by the Balanced Budget and Emergency Deficit Control Act. Is this adequate to cover your total operational costs as a University or will you have to cut back your academic program a little?

Dr. CHEEK. Mr. Chairman, in all candor, certainly it is not adequate. It certainly will require the curtailment of the excellent development of the University library system, which has been a commitment of the Department of Education and of this committee during my 17 years as president. It will have a significant impact on the University's ability to upgrade its research laboratories as well as other important teaching equipment, and we have a number of deficiencies in terms of the number of faculty in relation to students, in several schools and colleges, which we would have to find some way to fund.

MAJOR CONSTRUCTION PROJECTS

Mr. **Natcher**. We have read recently about your plans for major construction at Howard University. Tell us briefly what you have in mind and how much it will cost.

Dr. **Cheek**. If you are referring, Mr. Chairman, to what was reported in the newspaper, that is a project that has been in the planning stages for approximately 15 years in some form or another. It represents the development of a 20-acre tract of land which is a part of the Howard University campus boundary, and will provide, first, housing for graduate professional and married students.

At the present time the University has no housing at all for those students. We also contemplate a retail shopping center which will contain provisions for services to our students and our faculty and staff as well as to the surrounding community. It also contemplates an office facility which will accommodate some of the University programs that are being operated in office facilities that are currently being leased. But also, professionals such as physicians, lawyers, architects, engineers.

Finally, it envisions as a long-term prospect the construction of an enclosed convocation-recreation center as well as a parking garage to accommodate all of those. I should note that this project is in the planning stages. It was premature for any news coverage to be given to it because everything has not been finalized.

The housing and the retail shopping area will be the first to be undertaken and under the plan that we envision, the University's contribution to this project is the land that has been acquired, and ultimately, in the long run, it is anticipated that it will provide a source of stable revenue to the University.

Mr. **Natcher**. Thank you very much. Mr. Stokes.

Mr. **Stokes** [presiding]. Mr. Pursell.

STUDENT ENROLLMENT

Mr. **Pursell**. Thank you, Mr. Chairman.

At what enrollment level are you today?

Dr. **Cheek**. Mr. Pursell, we are at approximately 11,000-plus students. We will have a more accurate figure in a few weeks inasmuch as we do not count students who have not satisfied all of their financial obligations, but at the current time that is the estimate.

Mr. **Pursell**. Are you turning away qualified students who ask for admission?

Dr. **Cheek**. Well, we of course are under constraints by virtue of the facility itself that we have to deny applications to students for some of our graduate professional programs, because they cannot be accommodated. We average approximately 22,000 applications a year for 3600 new places.

Mr. **Pursell**. So you are at maximum level, facilitywise?

Dr. **Cheek**. Yes, sir.

Mr. **Pursell**. So that 11,000 figure is at about where you have leveled off?

Dr. **Cheek**. There could be some increases in some of our schools and colleges where the enrollment has declined for a variety of reasons. The School of Education is one such school; the College of Fine Arts is another one. We also could accommodate a larger enrollment in the College of Pharmacy.

Mr. **PURSELL.** I was going to ask where your big demand area is, what school.

Dr. **CHEEK.** The College of Medicine at the graduate level, and the law school.

Mr. **PURSELL.** Professionals?

Dr. **CHEEK.** Yes, sir, at the undergraduate level.

Mr. **PURSELL.** Do you have a dental school there?

Dr. **CHEEK.** Yes, we do.

Mr. **PURSELL.** Is that full? Is that maximum?

Dr. **CHEEK.** I suppose we would consider it at maximum level in terms of our resources. And by resources I mean not only physical facilities but also faculty and support staff.

Mr. **PURSELL.** How many dentists do you graduate per year?

Dr. **CHEEK.** Approximately 100.

Mr. **PURSELL.** Medical doctors?

Dr. **CHEEK.** About the same number, 105 or 110, yes.

Mr. **PURSELL.** Lawyers I won't ask, we have too many lawyers now.

LONG-RANGE NEEDS OF HOWARD UNIVERSITY

What do you have, Doctor, as your long-term goals, capital expansion of facilities, notwithstanding budget constraints? Where do you see the mission of Howard University, say in 5 or 10 years from now? Where would you realistically perceive you might be going?

Dr. **CHEEK.** Mr. Pursell, I would like to give just a brief introduction in answering that question. In 1979 the Department of Education along with OMB, with the concurrence of the two subcommittees, decided to withhold appropriating any additional funds to Howard for new construction or renovations, and chose instead to appropriate funds for the University to retain outside architectural-engineering consultants for the purposes of studying all of the University's physical facility needs, both currently and as projected, in terms of the need for new buildings, as well as the renovation of old buildings.

The total amount appropriated over the two-year period for that purpose was in excess of $500,000, and those studies have now been completed. We retained outside experts to do this per the instructions of this committee, and we now have been attempting to get underway. We have before us a comprehensive master plan for the renovation of existing facilities and for the building of new facilities.

I will speak now to what the immediate requirements are with respect to physical facilities.

One, the University has dire need for a comprehensive sciences building because our current science buildings are deemed by the outside consultants to be inadequate for a comprehensive University or for offering programs from a bachelor to the Ph.D. level. I should note that we are teaching physics at the Ph.D. level in a building that I characterize as pre-Newtonian. It was constructed in 1910, and while it can be renovated to accommodate some other kind of programs, it is certainly inadequate for physics instruction. This is a priority that the University must address in some way.

Secondly, the University has to build additional dormitories. It is important for this committee to know that the number one reason for a student who is accepted at Howard not coming to Howard is our inability to provide University-operated housing. Four or five years ago it was financially——

STUDENT HOUSING

Mr. PURSELL. What percentage of your students live on campus now?

Dr. CHEEK. We refer to it in terms of University-controlled housing because all of our housing is not on the central campus. One-third of our students, two-thirds of our students must find housing out in the city and the surrounding suburbs, and that type of housing students has been diminishing yearly.

ENROLLMENT PATTERNS

Mr. PURSELL. So in summary here, through your overall master plan you are starting to put into motion, and looking at your budget and your construction of housing, where do you see University enrollment levels, at a holding pattern or in a growth pattern?

Dr. CHEEK. The University master plan calls for an overall average growth of 2 percent a year to a maximum of 28,000 students.

Mr. PURSELL. So you are 11,000 and your long-term goal is 18,000?

Dr. CHEEK. Yes, sir. But the 18,000 would include the addition of some new programs that are currently on the drawing boards.

Mr. PURSELL. Almost double?

Dr. CHEEK. Yes.

Mr. PURSELL. Thank you.

CONSTRUCTION COSTS

Mr. STOKES. Mr. Cheek, it is nice to see you and your associates here this morning.

I think you have pretty well answered questions from both the chairman and Mr. Pursell regarding the effects of the Gramm-Rudman cuts on your University. You have not, though, in that evaluation, given us some idea of the cost of the construction of a new science building. Can you elaborate in that area?

Dr. CHEEK. Yes, sir. In terms of what we submitted to the Department for construction, we had requested a total of $72 million as the initial effort at implementing the plan that I referred to earlier which consisted of the comprehensive sciences building at an estimated cost of $30 million, the dormitories at a cost of $24 million, and the renovation of buildings at a cost of $18 million. That would be just the first stage of our construction needs.

We also would have to undertake the construction or the expansion of the University's Law School Library because we have outgrown it and are currently working on plans for that. We also will have to build a new library for the School of Health Sciences. We are under a mandate at the present time to expand the Health Sciences Library and we cannot expand the library in any way, and the only way we can comply with the mandate is to build an entirely new building.

We also would have to undertake the erection of a new building to accommodate some of the additional Hospital activities that have outgrown their present space.

FACULTY AND STAFF SALARY INCREASES

Mr. STOKES. Dr. Cheek, when was the last time that Howard faculty and staff received a pay raise?

Dr. CHEEK. 1984.

Mr. STOKES. Can you tell us how this has affected your ability to attract and retain highly qualified personnel?

Dr. CHEEK. Mr. Stokes, it has been, frankly, devastating. We are supposed to maintain our faculty salaries at Step 1 for Category 1 Universities, as classified by the American Association of University Professors. For the current year persons who hold the rank of full professor are approximately $8,000 below the AAUP scale. For associate professor we are approximately $3,000 below the rank of assistant professor, and for instructors, we are approximately $2,000 below the AAUP scale.

We are currently at Step 4 for full professor, associate professor, and assistant professor, and Step 3 for instructor when we were at one time at Step 1 or close to Step 1. So we have lost ground and we are now reaching the point where we have a problem not only in recruiting new faculty, but in retaining some of our younger, brighter, more productive faculty. This past year we have lost some outstanding people.

Mr. STOKES. Dr. Cheek, I noticed that your fiscal 1987 budget justification states that the request of $133.06 million for the University's academic program will support a faculty pay raise averaging 4.5 percent, within-grade step increases and a supplementary payment to the University compulsory retirement system. Do you believe that the request is sufficient to meet these requirements?

Dr. CHEEK. No, Mr. Stokes, they are not. That represents the maximum that we were able to negotiate with the assistance of the Department of Education, with the Office of Management and Budget.

Mr. STOKES. Can you tell us how much is required to meet these costs of fiscal year 1987?

Dr. CHEEK. We would need approximately six times that amount in order to bring us back to where we were four years ago.

Mr. STOKES. Would pay increases for non-faculty employees be included in that amount?

Dr. CHEEK. Yes, they would, because in the amount that is before you in this request, there is no provision at all for non-faculty increases except for promotions, which is a very modest amount of approximately $150,000.

ORIGINAL 1987 APPROPRIATION REQUEST

Mr. STOKES. Now, your request for the University academic program is $133.064 million. What was the original request to the Department for this purpose?

Dr. CHEEK. The original request for the academic program was $267 million.

Mr. STOKES. $180 million?

Dr. CHEEK. No, sir, it was $267 million.

UNIVERSITY LIBRARY SYSTEM

Mr. STOKES. Now, I understand that the University library system is severely in need of upgrading. You have mentioned earlier this morning something about your law school library. I understand that the law library ranked last of 166 reporting institutions. Will this $133.064 million permit you to make the needed improvements in these University systems?

Dr. CHEEK. Not from this source, Mr. Stokes, it would not.

ENDOWMENT MATCHING PROGRAM

Mr. STOKES. Now, the Administration has proposed two rescissions affecting Howard University. One is a rescission of $914,000 in funding appropriated for the University's endowment grant program. The rationale provided in the budget justification is that this rescission is needed to reduce the amount "available for matching endowment grant to a level more commensurate with Howard's ability to raise the required matching funds." I would like to know whether you are having any difficulty raising private funds to match the Federal endowment appropriation.

Dr. CHEEK. The direct answer is no. We have completed matching the first $2 million that was provided; I should also point out that I regard that as remarkable inasmuch as although the appropriation was much earlier, we really did not have those funds available until last July because it was necessary for the University and the Secretary of the Department of Education to work out the details of the agreement of how the endowment program would work. Of course, we could not solicit on a firm basis until we knew exactly what the terms and conditions of the endowment program would be.

So we have already, as of yesterday, sent a letter to Mr. Skelly requesting the last $200,000 of the $2 million appropriation. It is my judgment that this program does in fact enhance our ability to increase giving to the University, from alumni and from friends. Now, it may not help very much with respect to corporations and foundations, but certainly it will with respect to Howard's alumni and private individuals.

Mr. SKELLY. I should point out, the rescissions proposal for the endowment grants along with all our rescission proposals expired today, so that Howard now has another $900,000 that it can go out and match.

Mr. STOKES. Today or yesterday? I think it was yesterday.

Mr. SKELLY. OMB switched the books on us a little. The money is being released today.

EXTENSION OF RESEARCH APPROPRIATION

Mr. **Stokes**. OK.

Dr. Cheek, one of the rescissions that expired yesterday was a $4.785 million proposed rescission for research funding. I understand you need one year extended availability of these research funds; is that correct?

Dr. **Cheek**. Mr. Stokes, that certainly would be desirable in view of the fact that they have not been available to the University from the time they were appropriated, because once the rescission proposal was made, we could not have access to them, and it has put the University in an unfair position, and, frankly, sets us back in terms of plans that we had developed for a more effective use of the research funds.

Mr. **Stokes**. Thank you. Mr. Conte.

Mr. **Conte**. Thank you very much.

Good to have you here again, Dr. Cheek.

Dr. **Cheek**. Thank you very much.

TUITION CHANGES

Mr. **Conte**. Doctor, what is the tuition this year at the undergraduate college, and what will it be for the next academic year?

Dr. **Cheek**. The undergraduate tuition is $3,000.

Mr. **Conte**. What will it be for the next academic year?

Dr. **Cheek**. Mr. Conte, our Board of Trustees will take up the matter of tuition adjustments at the end of the month of April. The University administration can only provide data and analysis and so forth, but it is the board that has to really make the final decision. I should say it is clear that we would have to have an adjustment.

COST PER STUDENT BY SCHOOLS AND COLLEGES

Mr. **Conte**. What is the total cost of attending Howard?

Dr. **Cheek**. The overall average cost is estimated at $7,800, but one has to keep in mind that it really varies. We have 17 schools and colleges, so it would be much higher for a student enrolled in medicine and dentistry than it would for a student enrolled in liberal arts.

Mr. **Conte**. Would you give us that data for the record for all the schools?

Dr. **Cheek**. Yes, we can.

[The information follows:]

HOWARD UNIVERSITY

Schedule of Educational Costs Per Student
June 30, 1985

	Student Enrollment	Direct Costs Faculty Salaries	Other Direct Costs	Indirect Costs	Overhead	Total Cost Per Student	Tuition	Net Cost Per Student
College of Allied Health Sciences	350	$4,421	$ 1,575	$ 4,239	$ 5,333	$15,568	$2,700	$12,868
School of Architecture and Planning	248	3,301	2,600	4,957	3,659	14,517	2,700	11,817
School of Business & Public Admin	1,696	1,385	2,593	2,452	1,604	8,034	2,700	5,334
School of Communications	609	2,772	3,716	4,670	3,427	14,585	2,700	11,885
College of Dentistry	399[2/]	14,191	9,639	14,590	14,554	52,974	3,700	49,274
The Divinity School	118	2,849	1,889	4,240	3,075	12,053	2,700	9,353
School of Education	113	1,606	6,901	6,181	6,044	20,732	2,700	18,032
College of Engineering	705	5,716	3,093	4,106	6,960	19,875	2,700	17,175
College of Fine Arts	249	5,420	5,353	8,708	6,741	26,222	2,700	23,522
Graduate School	702	9,314	6,128	6,091	4,588	26,121	2,900	23,221
Human Ecology	304	2,416	2,953	3,757	2,686	11,812	2,700	9,112
School of Law	494	2,400	3,788	5,536	4,133	15,857	3,400	12,457
College of Liberal Arts	2,390[1/]	2,823	3,781	5,213	3,872	15,689	2,700	12,989
College of Medicine	474	11,061	20,480	15,452	20,577	67,570	4,500	63,070
College of Nursing	224	3,169	3,019	4,338	3,241	13,767	2,700	11,067
College of Pharmacy	134	8,877	2,934	9,275	6,433	27,519	2,700	24,819
School of Social Work	158	3,069	5,314	7,160	5,266	20,809	2,700	18,109
Total	9,367							

[1/] Includes University Without Walls
[2/] Includes Dental Hygiene

TUITION INCREASES AND COMPARISONS

Mr. **Conte**. The budget documents claim that Howard's tuition is lower than at comparable schools. How do you feel about that, Dr. Cheek? Is that correct?

Dr. **Cheek**. I would agree with that statement.

Mr. **Conte**. Can you give us some idea of the annual increases in tuition at the University and how those increases compare to universities similar to Howard? Put that in the record.

[The information follows:]

HOWARD UNIVERSITY

Statement of Tuition Increases
1976-77 to 1985-86
(Ten Year Period)

Year	Undergraduate	Graduate	Law	Dentistry	Medicine
1976-77	-0-	-0-	-0-	-0-	-0-
1977-78	-0-	-0-	-0-	-0-	-0-
1978-79	200	200	300	350	550
1979-80	-0-	-0-	-0-	-0-	-0-
1980-81	200	200	200	200	200
1981-82	250	250	400	400	400
1982-83	200	200	300	300	500
1983-84	200	200	200	200	200
1984-85	300	500	500	600	800
1985-86	300	500	600	600	800
Total Increase	1,650	2,050	2,500	2,650	3,450
Annual Tuition 1976-77	1,350	1,350	1,500	1,650	1,850
Annual Tuition 1985-86	3,000	3,400	4,000	4,300	5,300

HOWARD UNIVERSITY

1985-86 Undergraduate Tuition Rates For Area Colleges and Universities

	Tuition
American University	$ 8,200
Catholic University	7,300
Georgetown University	9,300
George Mason University	
In-State	1,608
Out-of-State	3,120
George Washington University	7,350
University of Maryland	
In-State	1,496
Out-of-State	4,202
Howard University	**3,000**

NOTE: No Decision on Tuition Increase for 1986-87 at any of the above schools.

HOWARD UNIVERSITY

COMPARATIVE LISTING OF 1985-86 TUITION COST AT ELEVEN (11) SELECTED UNIVERSITIES

	UNDER GRADUATE	LAW	MEDICINE	DENTISTRY
Case Western Reserve University	$ 8,300	$ 8,750	$12,240	$12,240
University of Chicago	9,600	10,920	14,760	--
Duke University	8,270	9,900	10,500	--
Emory University	8,400	8,400	11,980	11,980
Georgetown University	9,300	9,900	20,600	14,300
Johns-Hopkins University	9,400	--	11,600	--
University of Rochester	9,400	--	13,300	--
Stanford University	10,476	10,776	12,330	--
Tulane University	9,080	9,080	10,650	--
Vanderbilt University	8,500	9,800	9,900	--
Yale University	10,520	10,700	11,750	--
Howard University	3,000	4,000	5,300	4,300

NOTE: No Decision on Tuition Increase for 1986-87 at any of the above schools.

NON-FEDERAL REVENUES SOURCES

Mr. **Conte**. The justifications also say that the Department is analyzing other ways to increase non-Federal revenues for the University. Do you know what other areas they are looking at?

Dr. **Cheek**. No, Mr. Conte. I read that statement for the first time when it was sent to this committee.

Mr. **Conte**. Okay.

Mr. **Skelly**. The Department has had an endowment proposal in effect for a couple of years. We are continuing to look at that and any other things that might be available from within the Department.

Mr. **Conte**. Dr. Cheek, I know you have been dissatisfied with other analyses and comparisons of the University made in the past. How do you feel about this one? Is it being conducted fairly?

Dr. **Cheek**. Which one?

Mr. **Conte**. This one to increase the non-Federal revenues coming in?

Dr. **Cheek**. We do not have non-Federal revenues available to us at the level of comparable institutions, and it will take some time before that funding could be developed.

ENDOWMENT FUND

Mr. **Conte**. What is your endowment now?

Dr. **Cheek**. The market value of the endowment, excluding the amounts that we just matched, is approximately $40 million.

UNIVERSITY DEFICIT

Mr. **Conte**. Last year you testified that the University ran a deficit of $6.2 million for the year ending June 30, 1984, and you estimated that would rise to about $8 million by June 30, 1985. Did that estimate turn out correct, and what are you projecting for the current fiscal year?

Dr. **Cheek**. It was $7.8 million. It will increase for the current fiscal year because the University was required to match from its own resources or to contribute from its own resources $1 million more than we had budgeted for the retirement program, and we have also had to address some of the other needs that were affected by both the proposed rescission as well as by the Gramm-Rudman-Hollings legislation.

OPERATION OF THE HOWARD INN

Mr. **Conte**. Doctor, you and I have talked the last several years about the running of the Howard Inn. What do you have to report to us this year? Are you getting closer to running that facility at a surplus?

Dr. **Cheek**. We are making progress, Mr. Conte, on that. We have gone from an operating loss in June 30, 1984, of $1.3 million, to $924,000 at June 30, 1985. As of March, we have an operating loss of $504,000. That is for the nine months. We anticipate that for the 12-month period the operating loss should not exceed $700,000, which would be a tremendous reduction from what it was three years ago.

Mr. **Conte**. You are narrowing the gap?

Dr. **Cheek**. Yes, sir, we are.

Mr. **Conte**. How many students are in the Hotel Management School, and how many are interning at the Howard Inn?

Dr. **Cheek**. We currently have 28 students in the program, and 19 students this semester receiving internships in the hotel.

STUDENT LOAN DEFAULT RATE

Mr. **Conte**. I know you have taken a number of steps to try and reduce the default rate on loans to students at the University. Do you have any progress to report to us on this?

Dr. **Cheek**. Yes. In the area of the health professional loans, we have gone from a default rate of 40 percent to less than 5 percent. I think the actual percentage is about 4.8 percent.

Mr. **Conte**. Very good. Excellent.

Are the health schools at the University still suspended from participation in the health professions student loan program because of high default rates?

Dr. **Cheek**. No.

Mr. **Conte**. None of those schools are now suspended, is that right?

Dr. **Cheek**. With your permission, I would like for Dr. Harris to respond to that.

Mr. **Harris**. Mr. Chairman, the University has all of its Health Professional School back into the program on a full-time basis. We are not even on probation anymore. We have worked hard on this. The actual delinquent rates for the Health Profession Medicine loan program is 4.38 percent, and for dentistry it is 4.6 percent.

ACCREDITATION

Mr. **Conte**. I think you are to be complimented.

Are all the schools at the University currently accredited?

Dr. **Cheek**. All of them are accredited in terms of their programs, with the exception of some of the new programs. City planning is not accredited. It is currently recognized but in that profession they changed the procedures from a recognition procedure to an accredited procedure, and we will have a review of that program sometime next year.

The School of Education as a whole has not been accredited. However, some parts of its program are accredited or approved, but the School of Education, as a whole, has not yet been fully accredited. All of the other schools and colleges are accredited. I should report we just had the School Communications review and got very glowing reports from accrediting bodies.

RADIO STATION WHUR–FM

Mr. **Conte**. Very good.

Doctor, I was pleased to see a recent newspaper article that said the University's radio station had hit number one in the Washington area. I don't know if you know this, but I tested the Secretary when he was in here a few weeks ago, and he's a big pop music fan. Have you found out if he listens to your radio station? Maybe you should try and get him on the air.

Dr. CHEEK. No, I haven't asked him, but I certainly shall. If he doesn't, I will give him a radio that can be tuned only to that.

Mr. CONTE. I think it might be a good idea. Thank you.

TELEVISION STATION WHMM-TV

Mr. STOKES. All right.

I might say, recently, Charlie Rose made Channel 32, the Howard University TV station, available to all of us here in the House through the House of Representatives system.

Anything else, Mr. Pursell?

Mr. PURSELL. No.

Mr. STOKES. Dr. Cheek, I have a number of questions to submit for the record, to which I hope you will give us some good answers. The chairman and the other members also have additional questions to submit to you for the record. We would appreciate your submission of those answers for us.

Dr. CHEEK. Thank you very much.

[The following questions were submitted to be answered for the record:]

SALARY INCREASES

Mr. Natcher: How much of the academic program budget will be used for salary increases?

Dr. Cheek: We propose to use $2,836,000 of the academic program budget for salary increases. We are planning to spend $2,686,000 of the $2,836,000 requested for faculty salary increases averaging 4.5 percent and the remaining $150,000 for non-faculty step increases. I should point out that our faculty has not had an increase since 1984 and we are currently far behind our peer institutions.

Mr. Natcher: How do administrators and faculty salaries compare with those in selective private colleges and universities nationwide? They are higher aren't they?

Dr. Cheek: Our salaries for faculty are far below similar faculty salaries in selective private colleges and universities according to studies prepared by the AAUP which are used nationwide for faculty salary comparisons. I am including for the record a comparison of average salaries for comparable schools and colleges nationwide according to the AAUP for faculty by rank and salaries of Howard's faculty. In regard to salaries of administrators, similar data are not prepared on a nationwide basis. However, the University has recently received an administrative salary study from the firm of Peat, Marwick, Mitchell & Co. that clearly shows that our administrative salaries are not higher than those of our peer institutions.

SALARY COMPARISONS

Mr. Natcher: How do Howard University salaries compare with salaries at historically black colleges and Universities?

Dr. Cheek: We have no salary data on the historically black colleges for comparison. Howard does not compete for faculty with these basically small liberal arts colleges and consequently, we have made no comparative studies utilizing these schools because there is no degree of comparability with Howard due to differences in size, scope and complexity.

Mr. Natcher: Provide for the record, a separate list of salaries for administrators and faculty for the last 3 academic years. Please include the number of persons in each category.

Dr. Cheek: I am including for the record the data requested for administrators and deans. In the case of individual members of the faculty, those data are not readily available. However, I will submit a schedule showing the number of faculty by rank, average salary and salaries of comparable ranks as indicated in the most recent AAUP study.

FEDERAL APPROPRIATION - 4 YEARS

Mr. Natcher: Has the Federal proporation of Howard University's budget for academic programs remained relatively constant over the last 4 years?

COMPENSATION FOR ADMINISTRATIVE OFFICERS AND DEANS

	1984		1985		1986	
President & His Cabinet	Salary	Commutation	Salary	Commutation	Salary	Commutation
President						
James E. Cheek	$124,020	$27,500	$124,020	$27,500	$145,000	$27,500
Executive Assistant						
Frederic Davison	82,339	-0-	82,339	-0-	82,339	-0-
Special Assistant to the President						
Julian Dugas	81,854	-0-	81,854	-0-	81,854	-0-
Vice President for Legal Affairs-General Counsel						
Richard P. Thornell	85,000	10,000	85,000	10,000	85,000	10,000
Vice President for Development						
Roger D. Estep	87,357	6,000	87,357	6,000	87,357	6,000
Vice President for Bus. & Fiscal Affairs-Treas.						
Caspa L. Harris, Jr.	106,911	14,500	106,911	14,500	106,911	14,500
Vice President for Administration-Secretary						
Owen D. Nichols	88,931	4,000	88,931	4,000	88,931	4,000
Vice President for Student Affairs						
Carl E. Anderson	91,517	6,000	91,517	6,000	91,517	6,000
Vice President for Academic Affairs						
Michael R. Winston	97,550	13,500	97,550	13,500	97,550	13,500
Vice President for Health Affairs						
Carlton Alexis	107,841	13,500	107,841	13,500	128,000	13,500

COMPENSATION FOR ADMINISTRATIVE OFFICERS AND DEANS

	1984		1985		1986	
Deans- Academic Affairs	Salary	Commutation	Salary	Commutation	Salary	Commutation
Dean of Fine Arts						
Thomas J. Flagg (Resigned 8/3/84)	$ 65,065	-0-	-0-	-0-	-0-	-0-
Vada E. Butcher	-0-	-0-	65,100	-0-	65,100	-0-
Dean of Law						
Oliver Morse	81,915	3,000	81,915	3,000	-0-	-0-
(Acting Dean) John T. Baker	-0-	-0-	-0-	-0-	95,000	3,000
Dean of Divinity						
Lawrence Jones	69,625	-0-	69,625	-0-	69,625	-0-
Deans- Health Affairs						
Dean of Medicine						
Russell L. Miller, Jr.	111,000	-0-	111,111	-0-	111,111	-0-
Dean of Dentistry						
Jeanne Sinkford	92,000	-0-	92,000	-0-	92,000	-0-
Dean of Pharmacy						
Wendell T. Hill	66,500	-0-	66,500	-0-	66,500	-0-
Dean of Nursing						
Anna B. Coles	69,500	-0-	69,500	-0-	69,500	-0-
Dean of Allied Health						
Harley E. Flack	64,500	-0-	64,500	-0-	64,500	-0-

COMPENSATION FOR ADMINISTRATIVE OFFICERS AND DEANS

	1984		1985		1986	
Deans- Academic Affairs	Salary	Commutation	Salary	Commutation	Salary	Commutation
Dean of Graduate School Edward Hawthorne	$ 87,964	-0-	$ 87,964	-0-	$ 87,964	-0-
Dean of Social Work						
Jay Chunn (Resigned 2/13/84)	69,824	-0-	-0-	-0-	-0-	-0-
Harriette McAdoo (Acting Dean)	68,081	-0-	68,081	-0-	-0-	-0-
Richard A. English	-0-	-0-	-0-	-0-	75,000	-0-
Dean of Liberal Arts Robert L. Owens	69,997	-0-	69,997	-0-	69,997	-0-
Dean of Human Ecology Cecile Edwards	71,808	-0-	71,808	-0-	71,808	-0-
Dean of Business & Public Administration Milton Wilson	88,663	-0-	88,663	-0-	88,663	-0-
Dean of Education Willie Howard	65,370	-0-	65,370	-0-	65,370	-0-
Dean of Communications Lionel Barrow (Resigned 6/30/85)	66,341	-0-	66,341	-0-	-0-	-0-
Orlando Taylor (Acting Dean)	-0-	-0-	-0-	-0-	65,000	-0-
Dean of Engineering M. Lucius Walker	75,000	-0-	75,000	-0-	75,000	-0-
Dean of Architecture & City Planning Harry Robinson	63,250	-0-	63,250	-0-	53,250	-0-

HOWARD UNIVERSITY

Comparative Table of Howard University Average Faculty Salaries With AAUP Average for 1985-86

	Number	HU Projected	(1) AAUP
Professor	260	$ 42,600	$ 50,050
Associate Professor	339	$ 32,000	$ 35,645
Assistant Professor	349	$ 26,400	$ 29,270
Instructor	300	$ 21,800	$ 23,285

(1) Table 4, Weighted Average Salary for Men and Women Faculty by Category, Type of Affiliation Category I, Academe, Bulletin of the American Association of University Professor, March-April 1986, pg. 10. The figures are from the private independent column for men and women, averaged.

Dr. Cheek: I am presenting a summary schedule of our revenues during the past four years by percentages.

	Estimated 1986	1985	1984	1983
Revenue				
Federal Appropriation	45%	45%	45%	47%
Other Souces	55	55	55	53
	100%	100%	100%	100%

ALTERNATIVE FUNDING SOURCES

Mr. Natcher: What alternative funding sources does Howard University have now--gifts, voluntary contributions, or corporate contributions?

Dr. Cheek: While we receive gifts and contributions from all of the sources indicated, these gifts and contributions are generally not large gifts or contributions and are, for the majority of them restrictive gifts and contributions. That is, they are generally contributed for new programs or programs that the donor has an interest in. This type of funding is not dependable or desirable to operate an ongoing educational program. Our major source of revenue is the Federal Appropriation and tuition and fees. The University is seeking alternative funding sources by engaging in profit making ventures such as our commercial radio station, WHUR-FM and ultimately we expect to receive steady profits from our hotel operation.

HEALTH PROFESSION LOAN PROGRAM

Mr. Natcher: Does Howard University participate in the health loan programs of the Federal Government?

Dr. Cheek: The University does participate fully in each of the Health Loan programs of the Federal Government.

GUARANTEED AND HEALTH PROFESSIONS LOANS

Mr. Natcher: To what extent do Howard University students depend on Guaranteed Student Loans and Health Professions Student Loans?

Dr. Cheek: Forty-four (44) percent of Howard University students depend on Guaranteed Student Loans to meet educational costs. Twenty-two (22) percent of Health Professions students receive Health Professions Student Loans.

LOAN DEFAULT RATES

Mr. Natcher: What is your default rate for Guaranteed student loans?

Dr. Cheek: The Guaranteed Loan program is administered basically by financial lending institutions and the default rate, if any, of Howard students have not been reported to us.

Mr. Natcher: In your view what has caused such a high default rate on student loans at your institution?

Dr. Cheek: Our default rates are generally within the average of those at similar educational institutions. Our major problem, or highest default rate, is in the National Direct Student Loan program (NDSL). The default rates are as follows:

NDSL	14.17 percent
Health Profession - Medicine	4.38
Health Profession - Dentistry	4.66
Health Profession - Pharmacy	3.65
Health Profession - Nursong	14.00

Part of the reason for the high default rate in the NDSL program is the inability to locate the borrower after he/she leaves the institution. In addition, for years, no serious effort was made on a nationwide basis to collect the loans. We are currently engaged in an aggressive litigation campaign to reduce these rates.

TUITION AND OTHER CHARGES

Mr. Natcher: What is the current tuition for a full-time resident student at Howard University?

Dr. Cheek: The tuition for a full-time resident student in the undergraduate division is $3,000.00. The total estimated cost to attend Howard is $6,047.00. The cost is determined as follows:

Tuition	$3,000.00
Fees	365.00
Room (Double)	1,200.00
Meals	1,482.00
	$6,047.00

Mr. Natcher: Has tuition increased dramatically in recent years?

Dr. Cheek: Tuition has increased in recent years, but not dramatically. It has increased from $1,350 per year for undergraduates in 1976-77 to $3,000 in 1985-86.

PELL GRANTS

Mr. Natcher: What proportion of your students receive Pell Grants?

Dr. Cheek: Twenty-nine (29) percent of undergraduate students receive Pell grants.

PARTICIPATION IN TITLE III

Mr. Natcher: The 1987 budget has recommended $2 million for an Endowment program for Howard University, an increase of $1 million over the 1986 level. Is Howard University eligible to participate in the Title III Higher Education Act programs of institutional aid?

Dr. Cheek: Howard University is not eligible to participate in the Title III Higher Education Program of institutional aid.

ENDOWMENT FUND

Mr. Natcher: What is the size of Howard University's Endowment currently?

Dr. Cheek: The market value of Howard's Endowment Fund as of June 30, 1985 is $31,858,000. The University does not obtain market value for its Endowment fund except at year end. The fund has increased by at least $5 million since that time , and with the recent increases in the stock market, I would estimate that the total Endowment Fund is valued at approximately $40 million at March 31, 1986.

RESEARCH REQUEST FOR 1987

Mr. Natcher: The 1987 budget request for Howard University does not include funds for research. The rationale given is that research is an integral part of the University's academic operations. What was the reason for funding for research as a separate activity in the past?

Dr. Cheek: The rationale for funding research as a separate activity was based on the need to build a comprehensive research infrastructure. Several aspects of the University's research infrastructure require particular attention: the quality of undergraduate science and engineering education, the limited enrollment in both undergraduate and graduate science and engineering, and the state of university research equipment and facilities. The Research Fund was designed to assist Howard University in preparing students for careers in the sciences and engineering, particularly women and minorities who are underrepresented in the sciences and engineering.

Mr. Skelly: In requesting separate research funding in the 1985 budget, the Executive Branch's intention was to provide for a one-time supplement to improve the research infrastructure and thereby improve Howard's capacity to compete for research grants from third parties.

1987 HOWARD UNIVERSITY HOSPITAL BUDGET

Mr. Natcher: The 1987 budget request for Howard University Hospital is $22,106,000, the same as the 1986 Appropriation prior to funding reductions by the Gramm-Rudman-Hollings [illegible] . What is the hospital's total budget and what percentage of that budget does the Federal Appropriation actually provide?

Dr. Cheek: For fiscal year 1987 the hospital operating budget is expected to be $136,270,000. The $22,106,000 appropriation will equal approximately 16 percent of that budget.

Mr. Natcher: Does the hospital receive other Federal sources of support? If so what are they?

Dr. Cheek: The hospital receives no other federal grant support. We provide care to a substantial portion of the local indigent, aged and disabled population. Care to these patients is covered by Federally funded insurance programs such as Medicare and Medicaid.

HOSPITAL PATIENT LOAD

Mr. Natcher: How does Howard University Hospital compare in terms of patient load to other Hospitals in the area?

Dr. Cheek: There are 12 short-term acute care facilities in the District of Columbia which admit approximately 187,000 patients per year. Admissions to our Hospital represent 8 percent of all admissions in the District of Columbia, and more than 10 percent of the patient days of care. Our emergency room is the second most active in the city with approximately 60,000 visits per year. Since July 1, 1974, our complement of patients who receive health coverage from Federal programs and/or who have no coverage has shifted from 64.2 percent to 75.5 percent of our total patient population as of June 30, 1985. Such Federal programs include Medicare, Medicaid and the D. C. Medical Charities programs. As the principal participant of the D. C. Medical Charities Program, a program for the medically indigent population of the D. C. area, we consume 47.7 percent of the D. C. Medical Charities payment budget.

HOSPITAL SPECIALTIES

Mr. Natcher: Does your hospital have particular specialities that other local hospitals do not have?

Dr. Cheek: Howard University Hospital has several programs which are unique. We have the only accredited program in the specialty of Family Practice; we have a special care unit for the treatment of cerebrovascular diseases; we have the leading center for Interoperative Radiation Therapy for certain specified cancers; and we have the only comprehensive center for the diagnosis, treatment, and research for Sickle Cell Anemia and allied diseases.

HEALTH PROFESSIONS LOANS LOSS IMPACT ON HOSPITAL

Mr. Natcher: What has been the impact on Howard University Hospital of the loss of Health Professions student loan eligibility?.

Dr. Cheek: The loss of eligibility under this program was temporary. We have regained full eligibility and participate in the program. During the temporary loss period there was no impact on the Hospital.

MEDICAL STAFF TRAINING

Mr. Natcher: What proporation of professional medical staff at Howard university Hospital are trained at Howard University?

Dr. Cheek: The professional medical staff/faculty of our Hospital is comprised of approximately 400 physicians. Approximately 47 percent of our medical staff/faculty were successful candidates of our undergraduate medical and/or post-graduate residency training programs.

FINANCIAL STATUS OF HOWARD UNIVERSITY HOSPITAL

Mr. Stokes: Dr. Cheek, a number of public and teaching hospitals are now facing considerable fiscal difficulties because of Federal reimbursement policies under Medicaid and Medicare and because of a growing indigent patient load. Some of these hospitals fear they will have to close their doors, and some are turning to private management companies to stem their losses. What is the current financial status of Howard University Hospital?

Dr. Cheek: Today, the hospital is in sound financial condition. That is the result of many years of careful, conservative financial planning. As the appropriation funding level remained fixed, the Hospital worked at improving the revenue income from patient care sources. Under the retrospectively determined cost based reimbursement system, the Hospital was able to provide sufficient financial resources to support our mission. We can take pride in the growth of our Hospital's financial management skills and in the quality of programs they have kept operating. However, it is the future of our programs and our mission that are of great concern. The payment reductions brought on by the Prospective Payment System under the Medicare Program, the continuing reductions in the Medicaid Programs, and the Gramm-Rudman-Hollings cut backs all curtail payments from 75 percent of our patients. The budget reductions will not change their need for medical care, just the payment for their service. For FY 87, these cut backs will amount to over $8 million dollars. A monetary loss of that magnitude is always hard to accommodate. Despite the current sound financial condition of the Hospital, it is unreasonable to think that such a loss could be absorbed without a serious reduction in either programs or quality.

Mr. Stokes: Since 1977, the Federal Appropriation for the hospital has been essentially the same. Under Gramm-Rudman, the Federal Appropriation for the hospital was cut by $951 Thousand. What percentage of the hospital's operations are now funded by the Federal Government? How does this compare with the percentage funded in 1977?

Dr. Cheek: During the 10 year period 1976, the operating budget for the Hospital has increased some three fold. However, the Federal Appropriation funding level decreased from 53 percent of the operating budget in 1976 to approximately 18 percent in 1986.

Mr. Stokes: How has the diminishing level of Federal support affected the financial status of the Hospital?

Dr. Cheek: The financial strength of the Hospital has not diminished as a result of level funding. Within this period, the Hospital was reimbursed for patient care services through Medicare and Medicaid on a retrospectively determined cost-based reimbursement system. Through careful management and sound financial planning, the Hospital has substantially increased non-direct appropriation funding. Through cost-based patient care sources, the Hospital has reduced its dependency on direct Federal funds. The Hospital, in general, has maintained its commitment to its mission. We have continued to train minority physicians and other health professionals while serving the poor, black population of the city. Unfortunately, with an expected decrease of over 8 million dollars in Medicare patient service funding it becomes unreasonable to expect the Hospital will be able to continue to provide the same level of quality services. For the future, our mission could be imperilled.

FINANCIAL NEEDS OF HOWARD UNIVERSITY HOSPITAL

Mr. Stokes: What are some of the most pressing needs facing the Hospital?

Dr. Cheek: In this past ten year period, we have held to our mission. However, holding to our mission should not be confused with advancing our mission. While we have become better managers, we also recognize areas where needs exist but remain unfilled because of budgetary constraints. Elements of our teaching and community service programs have been stopped, cut back, or passed over because of monetary limitations. Programs that suffer most are those in which available dollars must be placed ahead of demonstrated human needs:

> Community outreach - health delivery and education programs designed under grant funded projects to fill a void have been stopped or curtailed on the basis of dollars. People have gone without needed health services and grant supported workers have lost jobs because funds were not available to continue the support.
>
> Long Term Care and Mental Health-Critical service and teaching opportunities have been lost here. The health status of our black population is less than acceptable in general. The lack of education and service programs for geriatric and mental health care are severe deficiencies resulting from budgetary limitations. As the entire population ages, and especially as the black population ages, it is essential that the nation has properly trained doctors and health professionals ready to provide care. Such training is part of our mission. However, budget limitations force us to defer filling this need.

RESEARCH APPROPRIATION

Mr. Hoyer: Why has the Department not requested any money for research at Howard?

Mr. Skelly: There was no request for separate and extra research funding in 1987 because the Department did not believe it necessary. The 1985 appropriation was requested in the President's budget for that year to be a one-time supplement to improve Howard's capacity to compete for, and acquire, research grants from third parties. Given the investment of the 1985 appropriation and the availability of $4,785,000 in 1986 funds, additional direct Federal appropriations are not necessary. Also, research is an integral part of the University's academic operations and should not be funded as a separate activity.

MATCHING ENDOWMENT PROGRAM

Mr. Hoyer: How is the Endowment Grant working?

Dr. Cheek: The program is currently working very well. The University has matched dollar for dollar the current $2 million allocation and the entire $4 million has been invested in accordance with the agreement between the Department of Education and Howard University.

TUITION INCREASE

Mr. Hoyer: Dr. Cheek, the Department has recommended that you increase tuition. Do you agree with this recommendation? Do you believe that it can be done without causing a decline in the student population?

Dr. Cheek: The issue of tuition increases is a matter for our Board of Trustees. They will be discussing this issue at their meeting at the end of April. I suspect that they will make some adjustments in our tuition charges. Whether or not this causes a decline in our student population depends on the amount of the increase and the available student aid.

1987 ORIGINAL APPROPRIATION REQUEST

Mr. Hoyer: Dr. Cheek, what was your original request to the Department for FY 87?

Dr. Cheek: Our original request to the Department of Education was $267,730,000.

Mr. Skelly: I would add that the Secretary instituted a formal planning process to consider funding and programming issues in all major program areas in developing the 1987 budget. This process began in June 1985 with a request of all Assistant Secretaries and other senior officers responsible for Department programs and the heads of the Special Institutions to submit recommendations reflecting their funding and programming priorities within three overall planning levels. In general, these levels, established by the Secretary, were (1) the 1987 estimate which had been included in the President's Budget for 1986, (2) the 1986 Senate Budget

Resolution, and (3) the 1986 Senate Budget Resolution plus five percent. The three planning levels for Howard University within this guidance were $157,170,000; $158,230,000 and $166,141,000 respectively. The Special Institutions were told that more could be requested if none of the three levels would provide an adequate budget. It was in this context that Howard University requested a budget at a fourth level: $267,730,000.

DEPARTMENT OF EDUCATION

Howard University

Fiscal Year 1987 Budget Request — Page No.

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HOWARD UNIVERSITY

For partial support of Howard University (20 U.S.C. 121 et seq.), [$164,230,000] $157,170,000, of which $2,000,000 shall be for an endowment matching grant in accordance with [policies and procedures as appropriate for comparable grants under the Challenge Grant Amendments of 1983] the Howard University Endowment Act (Public Law 98-[95]480)[1/] and shall remain available until expended. (Department of Education Appropriation Act, 1986.)

Explanation of Language Changes

1/ Language relating the Howard endowment program to comparable policies and procedures of the Challenge Grant Amendments of 1983 is replaced by reference to the Howard Endowment Act. At the time Federal funding of a Howard University Endowment was first proposed in the 1985 budget, the Howard Endowment Act had not been enacted and the Challenge grant program was referred to as the model.

Howard University

Language Analysis

Language Provision	Explanation
...of which $2,000,000 shall be for an endowment matching grant in accordance with [policies and procedures as appropriate for comparable grants under the Challenge Grant Agreements of 1983] the Howard University Endowment Act (Public Law 98-[95]480) and shall remain available until expended. (Department of Education Appropriation Act, 1986.)	The endowment grant is earmarked for $2,000,000, which shall remain available until expended, in order to give Howard ample time to raise matching funds.

Howard University

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual..................	$158,230,000	$164,230,000	$157,170,000
Sequester order.........	---	-7,062,000	---
Proposed rescission.....	---	-5,699,000	---
Subtotal, adjusted appropriation......	158,230,000	151,469,000	157,170,000
Unobligated balance, start of year.........	---	600,000	---
Unobligated balance, end of year...........	-600,000	---	-600,000
Total obligations...	157,630,000	152,069,000	156,570,000

Howard University

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. Academic program................	$135,124,000	$129,314,000	$129,314,000	$133,064,000
2. Endowment grant.................	2,000,000	1,914,000	1,000,000	2,000,000
3. Research........................	5,000,000	4,785,000	---	---
4. Howard University Hospital......	22,106,000	21,155,000	21,155,000	22,106,000
Total.....................	164,230,000	157,168,000	151,469,000	157,170,000

NOTES

2. Endowment reflects a proposed rescission of $914,000.

3. Research reflects a proposed rescission of $4,785,000.

Howard University

Budget Authority by Object

	1985	1986	1987
Grants, subsidies, and contributions...............	$158,230,000	$151,469,000	$157,170,000
Total budget authority by object....................	158,230,000	151,469,000 1/	157,170,000

1/ Reflects a reduction of $7,062,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; and a proposed rescission of $5,699,000.

Howard University

Summary of Changes

1986 Estimate	$164,230,000
1986 Sequester order	-7,062,000
1986 Proposed rescission	-5,699,000
Total estimated budget authority	151,469,000
1987 Request	157,170,000
Net change	+5,701,000

	1986 base 1/	Change from base
Increases:		
Program:		
1. Faculty pay raise, averaging 4.5 percent	$61,051,000	+$2,600,000
2. Within-step grade increases for non-faculty staff members	—	+150,000
3. Increased supplementary payment to retirement system	190,000	+1,000,000
4. Increased funding for endowment grant to a level commensurate with Howard's ability to raise non-Federal matching funds	1,000,000	+1,000,000
5. Increase Federal appropriation for Howard University Hospital	21,155,000	+951,000
Net change		+5,701,000

Howard University

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. Howard University:			
(a) Academic program	20 U.S.C. 123	Indefinite	Indefinite
(b) Endowment grant	20 U.S.C. 130	$2,000,000	$2,000,000
(c) Research	20 U.S.C. 123	Indefinite	Indefinite
(d) Howard University Hospital	20 U.S.C. 128	Indefinite	Indefinite
Total definite authorization........		2,000,000	2,000,000

Howard University

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation 1/
1978	$100,799,000	$100,799,000	$100,799,000	$100,799,000
1979	116,202,000	115,332,000	115,332,000	115,332,000
1980	121,893,000	121,893,000	121,893,000	121,893,000
1981	133,983,000	133,983,000	133,983,000	133,983,000
1982	153,199,000	147,280,000	147,280,000	145,200,000
1983	145,200,000	145,200,000	145,200,000	145,200,000
1984	159,720,000	161,900,000	152,000,000	156,200,000
1985	158,230,000	158,230,000	158,230,000	158,230,000
1986	151,230,000	164,230,000	158,230,000	164,230,000
1986 Sequester	-7,062,000			
1986 Proposed Rescission	-5,699,000			
1987	157,170,000			

1/ Reflects enacted supplementals, rescissions and reappropriations.

Howard University

Account Summary

	1985	1986	1987
1. Howard University:			
a. Academic program........	$129,124,000	$129,314,000	$133,064,000
b. Endowment grant.........	2,000,000	1,000,000	2,000,000
c. Research................	5,000,000	---	---
d. Howard University Hospital..............	22,106,000	21,155,000	22,106,000
Total budget authority.	158,230,000	151,469,000 1/	157,170,000

1/ Reflects a reduction of $7,062,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; and a proposed rescission of $5,699,000.

For 1987, the Department requests $157,170,000 for Howard University, $5,701,000 more than the revised 1986 level. This level of funding continues Federal subsidies as a proportion of total revenues for the academic program at the same level as 1986. Due to the investment of the 1985 research funds, separate funding for research is no longer needed. Howard can support research activities from its academic program funds and through applying for competitive grants. The 1987 budget also continues past policy of level funding for the hospital, and funds the endowment at a level commensurate with Howard's ability to raise matching funds.

Due to the need to reduce the Federal deficit, the Department's long-term strategy is to help Howard find means of reducing its dependence on Federal support. For example, Howard's tuition is lower than at comparable schools. However, the family income of Howard's undergraduate students is about average compared to other similar historically Black colleges and universities. Hence, increases in tuition are unlikely to discourage attendance, particularly since the Department's student aid programs (as well as other sources of student aid) could finance much if not all of the increase for needy students. Even a relatively small increase in tuition would yield a large increase in revenue, due to the large number of Howard students.

The Department will continue to investigate this and other means by which Howard can control its costs and increase its non-Federal revenues without harming the quality or availability of its programs. Howard will be encouraged to use the results of these analyses in its internal planning.

Howard University

1. Academic program
   (20 U.S.C. 123)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$135,124,000	$129,314,000	$133,064,000	+$3,750,000

Purpose and Method of Operation

Howard University, located in Washington, D.C., has 17 schools and colleges. The Divinity School does not receive any Federal support. The University's mission is to provide high quality educational opportunities to all students without regard to race, sex, creed, national origin or religion. While maintaining a comprehensive program in undergraduate liberal arts instruction, it also offers programs at the undergraduate professional, graduate and graduate professional levels. The University offers the Master's degree in over 85 areas and the Doctor of Philosophy degree in 23 fields.

To support its academic programs, the University provides library services, administrative support, and research opportunities for nearly 13,000 students who will be enrolled in 1987. These programs and services support the goal of expanding the opportunities of the University's graduates, particularly minorities, in fields where they are still under-represented.

The direct Federal appropriation provides approximately 60 percent of the total operating costs for the University's academic program. Howard receives additional Federal funds through the student aid programs and through research and other Federal grant programs. Additional non-Federal funds are realized from tuition and fees, gifts, grants, endowments, dormitory rents, cafeteria and bookstore sales.

Howard University's academic program is current funded.

Accomplishments

The University conferred 1,089 undergraduate degrees, 356 professional degrees and 425 graduate degrees during the 1985 academic year. Howard has produced more than 50 percent of the minority physicians and dentists in this country. The University continues to be a major national resource for minority students in the areas of communications, business, public administration, engineering, architecture, law and many other academic disciplines. The demand by private firms for Howard's graduates is such that the University's placement service has been unable for the past seven years to accommodate all of the private firms who wish to recruit graduates. In addition, Howard graduates are in more than 100 nations around the world.

Howard University

1. Academic program

Accomplishments -- Continued

Fifteen of Howard's schools are now accredited and two are preaccredited. During academic year 1986-87, the Schools of Architecture, Communications, Education, Engineering, Fine Arts, and Human Ecology are expecting site visitations for accreditation.

1987 Budget Proposal

The 1987 budget request for Howard University's academic program is $133,064,000, an increase of $3,750,000 over the 1986 revised level. This level of funding will support the same proportion of Howard's costs as the 1986 appropriation. The increased funds will be used for a faculty pay raise averaging 4.5 percent, within-grade step increases for non-faculty staff members, and supplementary payments to the University employees retirement system. Improvements to correct accreditation deficiencies and support research will be financed within the 1986 funding level, with lower priority activities discontinued, or funded through sources other than the direct Federal appropriation, as necessary.

Over the next year, the Department will exercise its oversight responsibilities by conducting analyses to aid Howard in identifying means of increasing its non-Federal revenues without harming the quality or availability of its programs. For example, as mentioned earlier, Howard could increase its tuition to a level commensurate with comparable Black universities. These analyses are part of the Department's long-term plan to help Howard reduce its dependence on Fedral funds, given the need to reduce the Federal deficit.

Impact Data	1985	1986 after Sequestering	1987
Academic program:			
Percentage of ED support..	57	59	59
Instructional courses.....	3,468	3,468	3,500
Students instructed.......	12,593	13,403	13,500
Potential graduates.......	1,872	1,872	1,875
Pre-professional students.	1,675	1,675	1,700
Master/Ph.D. students.....	1,313	1,420	1,420
Book circulation..........	450,000	460,000	475,000
Consortium students.......	173	175	225
Total credit hours........	161,500	161,500	165,000
Volumes added.............	87,000	90,000	110,000
Academic computing........			
Production index..........	100,000	100,000	150,000
Faculty...................	1,972	1,972	1,972
Non-faculty...............	3,374	3,514	3,514

Howard University

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2. Endowment grant
   (20 U.S.C. 130)

1987 Authorization: $2,000,000

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$2,000,000	$1,914,000	$1,000,000	$2,000,000	+$1,000,000

Purpose and Method of Operation

This matching endowment grant program was designed to assist in meeting future needs of the University and reduce long-term Federal funding requirements by stimulating private contributions. Howard receives these Federal funds as an endowment grant provided it matches the grant through non-Federal contributions. The resulting endowment fund generates income from low-risk investments which can be used to support operating programs, salaries, services, or construction. Up to 50 percent of the income earned each year can be withdrawn for expenditures.

Accomplishments

The University is making intensive efforts to raise funds from corporations, foundations, social groups, alumni and friends, both to match Federal funds and to support other University activities. To date, Howard has received contributions of some $1,700,000 to match the Federal grant. The University has received additional corporate and individual pledges of $600,000. Monthly mailings to alumni have resulted in contributions in excess of $400,000. The largest alumni gift is at the $25,000 level. Further, the University has organized an alumni committee to assist in soliciting alumni. Members of Howard's Board of Trustees and the members of its International Sponsors' Council are assisting with the fundraising efforts. Proposals are pending before several foundations, and one foundation has visited the University for further discussions on the endowment drive.

In 1985, the University matched $1.4 million of the $2.0 million appropriated in 1985. The funds remain available until expended, therefore, $600,000 in unobligated balances were carried over into 1986. Under the 1986 revised request, $1.0 million in new funds will also be available. for a total of $1.6 million. Given its 1985 experience, Howard should be able to match most if not all of these funds in 1986. Thus far in 1986, the University has matched $100,000.

Howard University

2. Endowment grant

1987 Budget Proposal

The request is for $2,000,000 an increase of $1,000,000 over the revised 1986 estimate, but $400,000 over the total amount available in 1986. The funds are requested to remain available until expended. This level of funding is in line with Howard's actual fund-matching experience in 1985, and we expect that Howard will be able to match most, but not all of these funds in 1987. The remainder will be carried over into 1988.

3. Research
(20 U.S.C. 123)

1987 Authorization: Indefinite

Budget Authority

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$5,000,000	$4,785,000	---	---	---

Purpose and Method of Operation

This portion of Federal funding was proposed in 1985, as a one-time supplement to improve Howard's capacity to compete for, and acquire, research grants.

Accomplishments

In 1985, research funds were used to renovate and re-equip outdated laboratories, to make fellowship grants, to support faculty research, to conduct symposia and seminars and to fund an office which seeks additional research grants from governmental agencies and private entities. These investments substantially increased Howard's capacity to succesfully compete for research funding.

1987 Budget Proposal

The budget proposes no separate and extra funds for research in 1987, a continuation of the policy of 1986, in which a rescission of funds already appropriated is proposed. Given investment of the 1985 appropriation, additional direct Federal appropriations are not necessary. Also, research is an integral part of the University's academic operations and should not be funded as a separate activity.

4. Howard University Hospital
(20 U.S.C. 128)

1987 Authorization Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
$22,106,000	$21.155,000	$22,106,000	+$951,000

Purpose and Method of Operation

Howard University Hospital provides both inpatient and outpatient services and serves as a facility for training physicians, nurses and other professional and technical health care personnel. Operations of the Hospital are partially financed by the Federal appropriation and by receipts from medical services rendered by group and individual hospitalization policies, funds supplied by the Medicare program and contractual agreements for patient care services with the District of Columbia government and other local jurisdictions.

Howard University Hospital is current funded. Direct Federal appropriations provide 15 percent of the operating budget.

Accomplishments

Howard University Hospital serves as a major acute and ambulatory care center for the inner city of Washington D.C. It is a 513 bed inpatient hospital with emergency facilities and operates 74 specialty clinics in its Ambulatory Care Department. It is a major teaching facility that trains specialist physicians in 20 specialty areas. In addition, the Hospital serves as a laboratory for numerous nursing and other paramedical trainees from both Howard University and other training institutions. It has provided leadership in many areas, most notably in the fields of radiation therapy, organ transplant and renal dialysis.

1987 Budget Proposal

The 1987 budget request for Howard University Hospital is $22,106,000, an increase of $951,000 over the 1986 revised estimate. The increase resumes direct Federal support at the level agreed upon by Howard University and the Department of Health, Education and Welfare in 1977, so that the Hospital would become more self sufficient.

Howard University

4. Howard University Hospital

Impact Data	1985	1986 after Sequestering	1987
Percentage of ED support................	19%	17%	15%
Patient Statistics:			
Admissions.................	14,379	14,591	14,591
Average daily patient load including newborns......	369	385	385
Beds......................	513	513	513
Occupancy Rate............	72%	75%	75%
Outpatient visits:			
Clinic..................	93,222	95,000	95,000
Emergency...............	54,593	55,000	55,000

SUPPLEMENTAL FACT SHEET

Howard University

Average Faculty Salary by Rank: Fiscal Year 1986

Rank	Number in Rank	Average Salary
Professors	282	$44,000
Associate Professors	329	33,448
Assistant Professors	381	25,433
Instructors	130	19,209
Lecturers	155	15,929
Adjuncts	28	18,440
Visiting Faculty	2	21,700

Average Non-Faculty Salary by Rank: Fiscal Year 1986

A. Administrative/clerical (excludes executives in ungraded positions 1/)

Grade 2/	Number of Personnel in each Grade	Average Salary
HA-1	1	$2,408
HA-3	2	13,988
HA-4	25	13,085
HA-5	104	15,600
HA-6	191	17,320
HA-7	425	20,145
HA-8	165	22,881
HA-9	243	25,306
HA-10	113	28,367
HA-11	130	31,843
HA-12	92	35,986
HA-13	68	42,010
HA-14	61	48,892
HA-15	36	57,851
HA-16	17	65,657
HA-17	14	77,743

1/ The salaries of major administrators are not included. A separate study on these positions was provided to the Appropriations Committee in January 1985 and a revised study will be submitted prior to the hearings.

2/ Hay Associates (HA)--Howard University and Gallaudet College previously utilized the Federal Government GS-Salary Scale for non-faculty personnel. Several years ago, at the insistence of the Congress, both institutions were required to utilize private pay scales for non-faculty personnel. Howard University chose Hay Associates, a national firm, to establish a non-faculty pay scale for its use. Data provided by the University to the Department indicated that this was an acceptable form and a study was proposed and the subsequent non-faculty pay system was installed. The University has, since that time, utilized the Hay System over the years for non-faculty personnel.

SUPPLEMENTAL FACT SHEET

Howard University -- Continued

B. Non-faculty blue collar:

Grade 3/	Number of Personnel in each Grade	Average Salary
WS-1	2	$19,500
WS-2	6	20,818
WS-3	1	23,733
WS-4	1	25,147
WS-6	1	27,976
WS-8	3	29,876
WS-9	3	31,075
WS-10	2	30,711
WS-12	3	34,549
WS-14	1	36,525
WL-1	6	14,685
WL-3	2	17,264
WL-6	1	21,466
WL-7	2	22,080
WL-8	2	25,251
WL-9	6	26,284
WL-11	20	27,788
WL-14	5	32,098
WG-1	50	12,722
WG-2	166	13,822
WG-3	55	15,368
WG-4	11	16,374
WG-5	30	17,425
WG-6	8	19,965
WG-7	24	20,465
WG-8	33	21,718
WG-9	42	23,153
WG-10	13	24,334
WG-11	3	26,090
WG-12	2	25,979
WG-13	2	30,420

3/ Wage Supervisor (WS) - Blue Collar; Wage Leaders (WL) - Blue Collar; and Wage Group (WG) - Blue Collar.

C. Ungraded Employees: Non-faculty

Number of Employees	Annual Salary	Average Salary
782	$14,497,845	$18,540

SUPPLEMENTAL FACT SHEET

Howard University

Enrollment of Students (FTE)	1985 Actual	1986 Estimate	1987 Estimate
Undergraduate	2,346	2,350	2,355
Graduate	1,202	1,215	1,225
Professional Schools	5,552	5,603	5,663
Howard University Hospital (Interns and Residents)	267	267	267
Total	9,367	9,435	9,510
Faculty			
Number of faculty (these figures include 209 part-time teachers)	1,972	1,972	1,972

WEDNESDAY, APRIL 16, 1986.

GALLAUDET COLLEGE

WITNESSES

JERRY C. LEE, PRESIDENT, GALLAUDET COLLEGE

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION, DEPARTMENT OF EDUCATION

THOMAS P. SKELLY, DIRECTOR, BUDGET SYSTEMS DIVISION, OFFICE OF PLANNING, BUDGET AND EVALUATION, DEPARTMENT OF EDUCATION

Mr. **STOKES** [presiding]. All right, we will call now Gallaudet College, Dr. Jerry C. Lee.

Dr. Lee, it's a pleasure to welcome you once again before our subcommittee.

Dr. **LEE**. Thank you, Mr. Chairman.

Mr. **STOKES**. Feel free to proceed in any way you like.

Dr. **LEE**. I have an opening statement which I will submit for the record. I would, however, like to summarize that briefly, if I may.

Mr. **STOKES**. Proceed.

[The statement of Dr. Lee follows:]

DEPARTMENT OF EDUCATION

Statement by the President of Gallaudet College

Mr. Chairman and Members of the Committee:

I am pleased to present to this Committee the President's 1987 budget request for Gallaudet College, including the Model Secondary School for the Deaf (MSSD) and the Kendall Demonstration Elementary School (KDES). The President's 1987 budget request is $60.7 million for these three programs.

This significant level of support continues to recognize the important contribution that a Gallaudet education has made in the lives of many deaf individuals; a contribution that has helped improve the quality of their lives, in direct contrast to the plight facing many disabled Americans. The recent Harris poll performed for the National Commission on the Handicapped depicted a disturbing story. This survey of 27 million disabled Americans showed that most (a) are under-educated, (b) are under - or unemployed, (c) have incomes at the poverty level, and (d) have low self-esteem. Gallaudet has been an island of hope for deaf persons and has contributed to a reversal of this disappointing trend. The College's graduates are:

- Substantially well-educated with 42 percent of its bachelor-degree holders going on to graduate school, and many completing both master's and doctoral degrees,
- effectively well-employed with an unemployment rate below that of the national average,
- earning family incomes substantially over that of the national median, and
- participating fully in community organizations and affairs, thereby projecting a strong sense of self-worth.

The fiscal year 1987 request helps to continue this tradition. Subsequent to the 1986 proposed rescission of $446,000, the 1987 request of $60.7 million represents an increase of $1.8 million over fiscal year 1986. One million dollars of the requested increase is for a matching endowment program and the balance ($848,000) will be used for operations. MSSD and KDES will be funded at $12.2 million and $6.7 million respectively.

The College

The increase in operating funds will be used to support the salary program for employees at Gallaudet College. The increase represents approximately two percent of the College's payroll. With respect to other built-in costs, continuing efforts at energy conservation, as well as the lower cost of fuel oils, will allow the College to hold its annual energy costs stable.

The matching endowment program will help supplement the

College's growing fundraising efforts. During the past year the College has experienced an increased level of corporate contributions, greater participation from the constituent groups served, and a growing awareness among private funding sources that Gallaudet is an organization which provides a significant return on their investment.

This appropriations process follows the recent General Accounting Office audit of Gallaudet and several other programs serving the deaf. The resulting report clearly describes the components which comprise the costs of education at Gallaudet. It also has identified the outcomes of this cost in terms of positive values: a high retention rate, high grade point averages, high placement rates and unique comprehensive services beyond provision for the resident student body.

The College will continue its current and past practice of focusing on effective resource control. Cost efficiency will increase as the campus continues to adjust to a philosophy of doing more with less. At the same time, the Nation can expect from Gallaudet an unwavering effort to improve all mission-oriented programs in instruction, research, service and outreach.

Model Secondary School for the Deaf and Kendall Demonstration Elementary School

Both of these schools receive total funding for programs and facilities from the Federal Government. In fiscal year 1987, the request is for continued support at the same level only if rescissions take place for instruction, research and demonstration at MSSD and KDES. Any salary increases provided for MSSD and KDES employees will be funded through efficiencies achieved in general institutional support.

The fiscal year 1987 request of $12.2 million for MSSD and $6.7 million for KDES provides the necessary funding to continue the exemplary instructional programs and the development of necessary research and dissemination materials for use by programs serving the deaf throughout the country. The instructional techniques developed at KDES and MSSD continue to yield positive results as demonstrated by students who leave the school with test scores well above national norms. In addition to continuing the distribution of curricular products and services both to residential and mainstream public school programs, MSSD and KDES will serve an increasing number of multi-handicapped students and will establish cooperative integration arrangements with several major public school systems.

Mr. Chairman, I thank the Committee for this opportunity today and welcome your questions.

DEPARTMENT OF EDUCATION

Gallaudet College

Biographical Sketch

NAME : Jerry C. Lee

POSITION : President, Gallaudet College, Washington, D.C.

BIRTHPLACE AND DATE : November 21, 1941

EDUCATION : Virginia Polytechnic Institute & State University, 1977, Ed.D.; 1975, M.A.
West Virginia Wesleyan College, 1963, B.A.

SUPPLEMENTARY EDUCATION : University of Baltimore, School of Law, 1967-1969
West Virginia University, Graduate School of Industrial Relations, 1963-1964

EXPERIENCE :

PRESENT : President, Gallaudet College

1982-1984 : Vice President for Administration and Business, Gallaudet College

1978-1982 : Assistant Vice President for Business Affairs, Gallaudet College

1971-1977 : Director of General Services (Business/Administration), Gallaudet College

1965-1971 : Vice President for Administration, Commercial Credit Industrial Corporation

1964-1965 : Management Trainee/Industrial Relations Administrator,
General Motors Corporation, Fisher Body Division

MILITARY : U.S. Army Reserve, 1966-1972

ASSOCIATION MEMBERSHIPS : American Management Association
American Association of School Administrators
National Association of College and University Business Officers
College and University Personnel Association
Association of School Business Officials
National Association of Public Employer Negotiators and Administrators
American Association of University Professors
Bureau of National Affairs 1963-1984 Personnel Policies Forum
American Association of State Colleges and Universities

SPECIAL MEMBERSHIPS : Sertoma Foundation National Advisory Committee
Sertoma Life Member
District of Columbia Special Olympics Honorary Board of Directors
Rehabilitation International, USA, Board of Directors
People-to-People, Board of Directors
Deafness Research Foundation, Board of Directors
National Association of College Auxiliary Services, Journal Advisory Board
Consortium of Universities of the Washington Metropolitan Area, Executive Committee

HONORS : Distinguished Alumni Award, Virginia Polytechnic Institute and State University, 1985
United National Association of USA, Advancement of Human Rights and Fundamental Freedoms Award
Honorary President, Council for Better Speech and Hearing Month
National Association of College Auxiliary Services Excellence in Journalism Award
Alph Sigma Pi, Man of the Year Award, 1983-84
Gallaudet College Alumni Association President's Award
Gallaudet Community Relations Award
Who's Who in the East, 1975
National Association of College and University Business Officers, U.S. Steel Foundation Cost Reduction Incentive Award
Bureau of National Affairs Personnel Policies Forum Sportsmanship Award (High School)

PUBLICATIONS : "Techniques for Handling Discrimination Charges," *The School Administrator*, American Association of School Administrators. (May 1984)

Inaugural Address. *Gallaudet Today.* Gallaudet College, Washington, D.C. (October 1984)

"Deafness: The Next Ten Years," *Journal of Rehabilitation,* Vol. 51, No. 4; October/November/December 1985.

MAJOR SPEECHES
&
PRESENTATIONS:*Leadership Characteristics.* Address presented at Virginia Polytechnic Institute and State University, College of Education Day. Blacksburg, Virginia. October 1985

Deaf Education in America. Presentation to the Chicago Laryngological and Otological Society. Chicago, Illinois. March 1986.

OPERATING BUDGET

Mr. Lee. Mr. Chairman and Members of the committee:

Thank you for this opportunity to present Gallaudet's fiscal year 1987 budget request. Throughout the years, this committee has been most supportive of programs for the Nation's deaf citizens. Gallaudet is proud to be a part of this heritage.

Gallaudet has operated for over 120 years to ensure an improvement in the quality of life for deaf persons in terms of their educational and employment opportunities. It goes unchallenged that this exemplary partnership between Gallaudet, Congress and the Federal Government has been an unqualified success.

Mr. Chairman, Gallaudet requests an increase of $1.8 million if the proposed rescission is passed. $848,000 of this amount will be used for built-in compensation increases. $1 million is for a matching endowment grant program which I believe will be proposed under separate legislation. No increases are requested for the Model Secondary School for the Deaf nor the Kendall Demonstration Elementary School.

That concludes my statement, Mr. Chairman. I welcome your questions.

Mr. Stokes. Thank you, Dr. Lee.

OVERALL FISCAL CONDITION

Dr. Lee, would you report to us on the overall fiscal condition of Gallaudet College?

Dr. Lee. Yes, sir. Gallaudet College's operating budget is about $72 million, of which about $13 million is through non-Federal sources. We have approximately $4 million in our endowment, so fiscally we are quite healthy. We did, like most programs, suffer from the recent reductions within Gramm-Rudman-Hollings, and that decreased our budget by about $2.7 million.

Mr. Stokes. What proportion of your operation is supported by the Federal Government?

Dr. Lee. 82 percent overall. This is comprised of 76 percent for college programs and 100 percent for MSSD and KDES programs.

Mr. Stokes. You just mentioned Gramm-Rudman and how it will affect your budget. What is the overall impact? What will you have to do as a result of Gramm-Rudman, or what do you anticipate as a result?

Dr. Lee. We have reduced 31 positions. These are positions primarily in our institutional and academic support areas. It also has impacted some of our expansion plans with respect to educational technology, computers, and acquisition, and thirdly, it will slow down our efforts to improve the conditions in our dormitories.

SALARY INCREASE

Mr. Stokes. Thank you.

Will faculty and staff salary increases be granted in fiscal 1986?

Dr. Lee. In fiscal 1986 we did grant about a 7 percent pay raise. In fiscal year 1987, given the current status of our budget, we will be unable to grant a significant pay raise.

Mr. STOKES. Are pay increases for your employees assumed under the fiscal year 1987 budget request?

Dr. LEE. No, they are not to any significant degree. I might add, Mr. Stokes, that last year The Washington Post released a survey of salaries of the area colleges and universities. Of the eight colleges and universities surveyed, our faculty salaries were ranked next to last.

ENROLLMENT

Mr. STOKES. Is that right?

Now your fiscal year 1987 request for Gallaudet is $60.737 million. Will this request permit you to accommodate all students qualified for admission to Gallaudet College?

Dr. LEE. It is our policy that we will not reject any qualified student for admission.

Mr. STOKES. What are your projected enrollment levels in fiscal year 1987, and how do they compare with your existing enrollments?

Dr. LEE. We expect enrollments to be approaching full capacity; currently we are not at 2,100 students. We may increase that by 100 students next fall.

MINORITY REPRESENTATION

Mr. STOKES. What are your most recent statistics on minority representation among Gallaudet, students and employees?

Dr. LEE. For Kendall School, about 68 percent of our students; Model Secondary School about 27 percent are of minority status; Gallaudet College is about 14 percent. With respect to our employees, about 28 percent of our employees are black, about 25 percent of our employees are deaf.

Mr. STOKES. I understand that you are examining ways to streamline your admission and recruitment procedures. What impact will these new procedures have on your efforts to admit minority students?

Dr. LEE. We think it is going to be quite helpful. We have revised our admissions policy. We now identify as our applicant pool the top one-third of deaf students in this country. We have expanded our enrollment efforts into many more areas of the country. We have recruiters traveling the country, and we believe that we will recruit more minority students and identify more qualified students through this new system.

Mr. STOKES. You are obviously doing a good job. You are to be commended for it.

Dr. LEE. Thank you.

TUITION CHARGES

Mr. STOKES. What are your current tuition charges?

Dr. LEE. For fiscal year 1987 it will be $2300. Our total cost is about $5600; $2300 is for tuition, the remainder is for room and board and student fees.

Mr. STOKES. When was the last time that these charges were increased?

Dr. Lee. Last year we were up 10 percent.

REGIONAL CENTERS

Mr. Stokes. The budget justification referred to two new regional centers that were established in Dallas, Texas, and St. Augustine, Florida. What is the purpose of these regional centers?

Dr. Lee. Gallaudet has traditionally had a mandate to provide services nationally, and one way we do that is through our regional programs. We had three, one in Massachusetts, one in Kansas and one in California. We have now expanded and added two more, one in Dallas and one in Florida, to provide services outside of Gallaudet, through a cost effective continuing educational approach.

I might add last year we served about 40,000 persons nationally through these regional centers.

Mr. Stokes. What are the costs associated with these centers?

Dr. Lee. It is about $80 per person served.

ENDOWMENT

Mr. Stokes. Your fiscal year 1987 budget request includes $1 million for a new endowment building program. What is the rationale for this new endowment program?

Dr. Lee. Well, this is a new approach offered by the Department. At Gallaudet we are relatively new in raising private funds. However, we were very successful last year. We raised about $1.5 million through private sources. If this new program comes about, we are going to pursue it very aggressively. We are not sure of the long-range implications of it in terms of being able to match the endowment, but if it is offered to us we are going to pursue it.

Mr. Stokes. Did you have a previous endowment fund?

Dr. Lee. Yes, sir. It has always been quite low. However, in the last two years we have doubled it. Our endowment is running a little above $4 million.

Mr. Stokes. So you don't anticipate any trouble being able to raise these endowment funds?

Dr. Lee. I don't know whether we will be able to match the $1 million annually. It's a little difficult when you are a new person on the block. We will have to wait and see.

Mr. Stokes. Thank you. Mr. Conte.

Mr. Conte. Dr. Lee, it is good to have you here again.

Dr. Lee. Thank you.

Mr. Conte. This is your second trip, I believe?

Dr. Lee. That is right.

RESCISSION

Mr. Conte. Doctor, I was a little surprised at the Department's request for a rescission in your account. We can all breathe a little easier now that it has expired, but tell me, why was this rescission proposed, and which part of your operation was it aimed at?

Dr. Lee. I will have to defer to Mr. Skelly.

Mr. Skelly. The rescission, Mr. Conte, was part of the overall administration budget strategy to bring the 1986 amount back to the level that had been appropriated in 1985, particularly for the

Model and Kendall schools, which are also straightlined from the 1985 level in 1987.

MSSD AND KDES

Mr. CONTE. Both the Model Secondary School and the Elementary School will be reduced below our 1986 appropriation level under this budget, while serving the same or an increased number of children. Looking at the justifications, it appears you have done kind of a curious thing to achieve this feat: You have decreased "faculty" but increased "staff" so that the fiscal year 1985 ratios are essentially reversed in fiscal year 1987. Is this just to lower your salary costs, or do the children need fewer teachers?

Dr. LEE. We did this for a variety of reasons. First, many of those persons who possessed faculty rank were essentially performing staff duties. They were not classroom instructors, so they were converted to staff. This also helped us with respect to decreasing the pool of persons eligible to receive contractual tenure.

PER STUDENT COST

Mr. CONTE. In answer to Mr. Stokes about the cost of the tuition, this year what is the total cost of attendance at Gallaudet?

Dr. LEE. Per student?

Mr. CONTE. Yes.

Dr. LEE. About $25,000 per student, of which about $19,700 is federally funded.

EFFECT OF SEQUESTER

Mr. CONTE. Dr. Lee, you live in this city so you have heard about all the other programs that have suffered because of Gramm-Rudman. How did those cuts affect the College in 1986? Were any services or programs eliminated?

Dr. LEE. Well, it did affect us. First, through immediate reductions in staff and second with respect to plans we had to acquire additional computers in the area of educational technology.

NATIONAL CENTER FOR THE LAW AND THE DEAF

Mr. CONTE. How about the National Center for Law and the Deaf? How has that faired in 1986, and what is your proposal for 1987?

Dr. LEE. They have been straightlined. We have reduced one position there but they are still in business.

ENDOWMENT

Mr. CONTE. How about the endowment program? Did you raise that all last year?

Dr. LEE. No, we raised about half of that in the past two years.

PROGRAM COST

Mr. CONTE. Very good. Does the College provide any services to outside groups?

Dr. **Lee**. We do provide some outside services, for which we expect compensation to recover costs. This happens with respect to instructional development, materials distribution, interpreting programs, and things of that nature.

RUBELLA STUDENTS

Mr. **Conte**. What is your current count on the number of students attributable to the rubella epidemic in 1987, and are these kids adequately accounted for in the 1987 budget?

Dr. **Lee**. We estimate about 30 percent of the population coming through were deafened by rubella. However, we are often unable to identify which students are rubella deafened students.

Mr. **Conte**. Is that number going to be on the decline now?

Dr. **Lee**. It will be beginning for us. We see the decline beginning around 1989 at the undergraduate level.

Mr. **Conte**. Three years?

Dr. **Lee**. Yes, sir.

EMPLOYMENT OF GRADUATES

Mr. **Conte**. Are all of your graduates able to find employment equal to the level of training they have received at Gallaudet?

Dr. **Lee**. We are very pleased. Last year our survey showed that we placed about 90 percent of our students either in jobs or graduate school. Also, about 68 percent of Gallaudet's graduates went on to graduate school, and about 42 percent received advanced degrees, as compared to the national norm of about 18 percent.

Mr. **Conte**. That is a good record.

Do you have any data to show the income of Gallaudet graduates compared to their counterparts with normal hearing?

Dr. **Lee**. Yes, we do. We recently completed a survey of our alumni. I am pleased to report that women graduates of Gallaudet College have averaged full-time earnings of about $19,700, compared to $20,000 for hearing females. As you can see it is almost the same. Our men are a little behind. Our male graduates have averaged full-time earnings of about $24,000, compared to $31,000 for their counterparts. But the median family income of Gallaudet graduates, about $30,000, is significantly above their hearing counterparts.

PROGRAM COST

Mr. **Conte**. Very good.

Last year, Doctor, you presented us with several ways in which the College has been able to keep costs down. In terms of maintenance, energy and other costs, is that still possible?

Dr. **Lee**. Yes, sir, primarily in the energy area. Although utility rates have increased, we have actually decreased our cost per square foot on campus.

Mr. **Conte**. Are you oil heated?

Dr. **Lee**. Multi-fuel. We go with the best rate.

NATIONAL STUDENT LOAN DEFAULT RATE

Mr. Conte. You gave us some pretty amazing figures on the student loan default rate at Gallaudet last year. Are those figures still below 3 percent, and to what do you attribute your success? Maybe you can get your system incorporated into the Higher Education Reauthorization Bill.

Dr. Lee. The figures in fact are better this year. They are 2.2 percent compared to the national average in 1984 of about 9 percent. Our success, I think, is we teach our students that it is a loan; it's their responsibility and they respond.

Mr. Conte. That is a good record.

Dr. Lee. Thank you.

KENDALL DEMONSTRATION ELEMENTARY SCHOOL

Mr. Pursell. The Kendall School, that is a title demonstration school. Is that basically a laboratory?

Dr. Lee. It's essentially a demonstration school of young children from preschool up to about the age of 15.

Mr. Pursell. How many faculty members do you have out there?

Dr. Lee. The total faculty for high school and the Kendall School and staff is about 300, and we have about 600 students.

Mr. Pursell. Your elementary portion, are those small class sizes?

Dr. Lee. Yes. They average about a one-to-five faculty student ratio.

Mr. Pursell. Do they do lab work entirely?

Dr. Lee. Yes, the school is a laboratory for the development of educational techniques. For example, now at Kendall School we have an ongoing program in parent-infant training, among the series of research activities in this demonstration school. Part of the responsibility is to develop and disseminate materials but also to develop research projects that we can——

RESEARCH

Mr. Pursell. Is it the faculty itself that does the research?

Dr. Lee. Yes, sir. We have a research institute which is comprised of faculty persons, but also our collegial high school and elementary faculty members are engaged in a variety of research activities through Federal funding or through a grant. We just recently received a grant from the National Science foundation of half a million dollars to do research with respect to math for deaf children.

DISSEMINATION

Mr. Pursell. Take an elementary or high school teacher in a regular public classroom in Cleveland, one who deals with different problems. How do you disseminate information so we can get it out to the people?

Dr. Lee. Well, first, certainly we do a lot of work in your State. Last year, we offered programs to about 5,000 teachers and other professionals serving the deaf. They disseminated about 23,000 copies of over 200 curricular products. We do on-site visits. We bring persons into our campus. We have established a computer network called Kendall Net which we share nationally. There is a variety of approaches, and we would be pleased to work with anyone in your district on sharing what we have developed at Gallaudet.

Mr. **Pursell**. Average classroom teachers could request assistance?

Dr. **Lee**. Absolutely.

Mr. **Pursell**. Is that catalogued and developed so they can look at what programs you have out there that have worked well, that can be utilized in an existing classroom somewhere in Cleveland?

Dr. **Lee**. Yes, sir. It is catalogued and documented, and we can share that with classroom teachers or a school system or school administrator.

Mr. **Pursell**. I haven't seen that program. I have been on your campus a few times. I wasn't familiar with it. How old is that program?

Dr. **Lee**. Kendall dates back to the early days of Gallaudet. However, it became a demonstration program about 1971.

Mr. **Pursell**. How much money do you spend on research there?

Dr. **Lee**. The total research budget for Gallaudet College is about $3 million, of which about 75 percent of that is appropriated through the Federal Government.

Mr. **Pursell**. How much goes to the Kendall program?

Dr. **Lee**. Kendall, 50 percent of their total budget is research and dissemination and demonstration.

Mr. **Pursell**. Kendall gets $1.5 million?

Dr. **Lee**. Kendall's operating budget is $6 million.

Mr. **Pursell**. Thank you, Mr. Chairman.

Mr. **Stokes**. I have a number of questions to submit to you from the chairman of the committee, Mr. Natcher. Feel free to expand upon those questions in your answers so we will have a good, complete record. Some of the other Members may have questions to submit for the record. We want to thank you once again for your appearance.

Dr. **Lee**. Thank you.

Mr. **Stokes**. It is a pleasure to have you before us.

Dr. **Lee**. Thank you.

Mr. **Stokes**. The committee stands adjourned until 2 o'clock this afternoon.

[The following questions were submitted to be answered for the record:]

GALLAUDET COLLEGE

SEQUESTRATION

Mr. Natcher: An amount of $2,665,000 is being sequestered from the 1986 appropriation for Gallaudet College. Tell us briefly what effect this reduction will have on your operations.

Dr. Lee: The sequester of $2.7 million has required the College to reduce its staffing by 31 positions chiefly in academic and institutional support areas. The design was to limit the impact on the vital functions of the College, thus position cuts were targeted where responsibilities could be absorbed by existing personnel. The College also cut back its ability to purchase state-of-the-art technology and will require equipment replacement and renovation cycles to be lengthened.

PROPOSED LEGISLATION

Mr. Natcher: What is your reaction to proposed legislation (S. 1874), which contains authorizations and appropriation ceilings for Gallaudet College?

Dr. Lee: For the first time in its history, Gallaudet would be placed under a re-authorization cycle and have appropriation ceilings set. First and foremost, Gallaudet does not consider this to be an inappropriate or burdensome approach. Through regular visits to the appropriations subcommittees over the years, Gallaudet has had an opportunity to inform Congress of its mission and its achievements. The Nation's deaf citizens have benefited greatly. A formal re-authorization cycle will extend this opportunity to ensure that the programs developed for deaf persons meet their needs.

FEDERAL FUNDING

Mr. Natcher: What is the Department of Education's "long-term plan" to help Gallaudet reduce its dependence on Federal funding?

Mr. Skelly: The Department's long term plan is to build up Gallaudet's endowment by providing Federal contributions to match those of private donors, to advise Gallaudet on cost containment and on increasing non-Federal revenues.

Mr. Natcher: What office at the Department will be responsible for analyzing Gallaudet's expenditures and funding? Do you know?

Mr. Skelly: The Office of Planning, Budget and Evaluation is currently responsible for analyzing Gallaudet's expenditures and funding. The Department is presently considering a plan to transfer this responsibility to the Office of Special Education and Rehabilitative Services.

MASTER PLAN

Mr. Natcher: Would you briefly describe the elements of Gallaudet's new master plan, and its potential impact on your budget?

Dr. Lee: With its new Master Plan, Gallaudet has set a strategic agenda for itself in the areas of instruction, public service, research and resources. The plan specifies fourteen themes within these areas which will be accomplished over the next five years. Broadly stated, the themes relate to pursuing the College's traditional mission on improvement in the quality of life for all deaf persons by reaching out to traditional and new constituencies in cost-effective and technologically appropriate ways.

To achieve this Master Plan, Gallaudet will (a) ensure that its existing resources are appropriately allocated to the right objectives, (b) achieve efficiencies wherever possible and (c) continue to broaden private sources of funding.

REGIONAL CENTERS

Mr. Natcher: What are the functions of the regional centers established under the plan that you describe in your budget justifications?

Dr. Lee: Gallaudet has five regional centers plus the Washington, D.C. campus which serve the Nation's deaf citizens in a variety of ways. Because there are so few programs that serve deaf people well, Gallaudet has exported its expertise and programs to various regional locations of the country. Indeed, Gallaudet's programs also spread beyond the continental United States to serve many other countries as well.

Using a cost effective marriage of Gallaudet programs and host institution facilities, the regional center provides a location for deaf people and those serving the deaf to pursue educational programs without having to travel to Washington, D.C. Last year, Gallaudet served over 40,000 participants through these public service programs. The curricular areas range over a wide array of instructional programs of both a credit and non-credit nature.

SALARY INCREASE

Mr. Natcher: You state that your budget request includes $848,000 for a 2.5% salary increase. When was the last salary increase at Gallaudet?

Dr. Lee: Gallaudet provided a salary increase for its faculty and staff employees during fiscal year 1986.

Mr. Natcher: How do faculty salaries at your institution compare to those for comparable institutions? Your salaries are generally higher aren't they?

Dr. Lee: No, Gallaudet's average salaries have been lower than for other institutions. There have been two indicators of this in recent years. First, the GAO report of 1985 on Gallaudet showed that Gallaudet was below the median of other institutions for its faculty salaries. Second, last year the Washington Post did a survey of eight area institutions and in it, Gallaudet was ranked next to last. Current data suggest that Gallaudet still significantly trails other colleges and universities.

ENROLLMENT

Mr. Natcher: What is the geographical distribution of your undergraduate enrollments? Are all 50 States represented?

Dr. Lee: There are undergraduate students enrolled from each of the 50 States.

Gallaudet's enrollment by region is as follows:

Local	16% (D.C., Md., and Va.)
Northeast	23%
Midwest	24%
South	22%
West	15%

Mr. Natcher: In your admissions policies do you attempt to attract students from areas of the United States that might be underrepresented in your enrollments?

Dr. Lee: Gallaudet offers higher educational opportunities to students from all areas of the country. Our current geographic distribution is broad based and reflects continuing efforts to ensure that all qualified students are aware of Gallaudet's programs regardless of where they live. Hence, Gallaudet has extended its recruitment efforts so that information regarding Gallaudet's programs is shared with guidance counselors and other school personnel in rural as well as urban areas of the country.

Mr. Natcher: Do you believe that appropriate higher education opportunities are available to the deaf regardless of where they live in the United States?

Dr. Lee: There are more educational programs serving the deaf than several years ago. And, each year more colleges and universities are offering special programs. Currently, there are approximately 130 programs spread throughout the country.

The determination of what is an appropriate opportunity is a complex question. Gallaudet believes strongly that the success of its deaf graduates can be attributed to high quality programs that offer a significant degree of support services. Other factors that enter into the equation are the degree of hearing loss, its age of onset, and the quality of communication between parent and child. The programs that deal successfully with these factors stand a greater chance of offering an appropriate opportunity. And, Gallaudet is called on often to help other programs in this regard. As this effort broadens, greater opportunities will be available to deaf children throughout the country.

ENDOWMENT

Mr. Natcher: What is the current value of Gallaudet's endowments?

Dr. Lee: The current market value of Gallaudet's endowment fund is $4.2 million.

Mr. Natcher: If there is already an endowment program at the College, why is a new endowment program proposed to be funded with $1 million in Federal assistance?

Dr. Lee: The administration proposed this program as a means of (1) assisting the College in reducing its reliance on Federal funds and (2) motivating private donors to give to Gallaudet. The program provides $1 million in Federal funds for every $1 million that Gallaudet raises in the private sector.

MSSD AND KDES

Mr. Natcher: Has the Model Secondary School for the Deaf had difficulty attracting students over the past several years?

Dr. Lee: We believe that two factors contribute to lower enrollment levels. First, demographics point to the fact that the pool of students is declining, particularly in the primary service area. Second, it is my opinion that, the publicity with respect to the tuition proposal of several years ago adversely impacted matriculation decisions on the part of parents.

MSSD has thus set a new enrollment objective which is a range of 400 to 450. Gallaudet informed the Department that it would take several years to achieve this objective. In FY 1986, the school year began with 390 students and MSSD projects at least 400 for the Fall of 1986.

Mr. Natcher: To what extent is transportation for the students who live in the Washington metropolitan area a problem?

Dr. Lee: In the Washington area, transportation is not a problem. The College operates over 15 bus routes throughout the city and into the surrounding suburbs to pick up children who commute to MSSD and KDES.

Mr. Natcher: Are the instructional models developed for deaf children at the MSSD and KDES appropriate for use in local school districts?

Dr. Lee: The models and curricular products developed at MSSD and KDES are specifically designed to work in any educational setting. In fact, roughly half of the 23,000 products distributed annually are used by teachers in mainstream programs. And, the evaluation of products is very positive by the users, regardless of the setting.

Mr. Natcher: What are the primary means to disseminate information on program models developed at these schools to special education programs throughout the United States?

Dr. Lee: Several methods are used. First, MSSD and KDES conduct training programs, workshops and seminars on campus and at many locations throughout the country on the methods that work in deafness education. These programs touch base with over 5,000 professionals serving the deaf each year. Second, MSSD and KDES print two magazines designed to elaborate on effective methods and to put them into use in the classroom. Finally, a catalog of the school's curricular products is distributed to a mailing list of over 50,000 names including many school districts, teachers and related professionals.

Mr. Natcher: Briefly describe the instructional programming for children at the preschool level that is provided by the Kendall Demonstration Elementary School for the Deaf.

Dr. Lee: KDES has a formal parent/infant program that has become quite successful in providing an early intervention method for deaf children. Each year, 12 to 18 families participate in the program and through this participation KDES is currently developing a set of curricular products that can be used by other programs. KDES also conducts parent/infant workshops throughout the country.

Mr. Natcher: Have services to preschoolers always been part of the program, or is this a new initiative?

Dr. Lee: KDES has long been concerned about preschool training and has made this a part of its regular program. While P.L. 94-142 only encourages programs to offer schooling prior to the age of three, KDES has recognized it as essential for deaf children to ensure a successful educational career.

Mr. Natcher: Have you disseminated any information on these instructional programs to States and localities that serve preschool deaf or other handicapped children?

Dr. Lee: KDES has done so through its various methods of workshops, publications and its catalog.

RUBELLA STUDENTS

Mr. Hoyer: Dr. Lee, on page 287 of your justification you stated that $2,595,000 is provided for educating rubella students. You also suggest that the number of rubella students has remained constant so therefore the appropriation can remain constant. Why has the number of rubella students remained constant at Gallaudet but is decreasing at NTID, why is that?

Dr. Lee: Gallaudet is structured as a four-year program. Also, many students begin in the School of Preparatory Studies and therefore require up to one additional year. For a variety of reasons, most students take from 4 to 6 years to complete their undergraduate degree. NTID is basically a two year program.

The number of rubella-related students is estimated based upon using the identified non-rubella base and then presuming that the increase above the base is rubella-related students. This method is used since the origin of deafness is often unknown. However, the deaf population increased significantly as a result of rubella, and this method of budgeting allows us to indicate the extra costs of educating the larger-than-average enrollments that resulted.

It should also be noted that some rubella students enroll in graduate programs upon completion of their baccalaureate studies.

OPERATING BUDGET

Mr. Hoyer: What is the pre-sequestration level for this account?

Dr. Lee: The pre-sequestration level for this account was $62,000,000.

Mr. Hoyer: What was your original request for FY 1987?

Dr. Lee: At the request of the the Department, Gallaudet submitted budgets for three planning levels: $60,737,000; $61,700,000; and $64,786,000.

MSSD AND KDES

Mr. Hoyer: Please bring me up to date on the operation of MSSD and the Kendall School. These schools are national and local resources. How will the proposed budget affect these two schools?

Dr. Lee: The proposed budget for FY 1987 requests no increase in funding for MSSD and KDES. The College intends to use the increased budget it receives for the College programs to fund salary increases for faculty and staff. Since the employees who work for MSSD and KDES are Gallaudet College employees they will also participate in any salary adjustment plans developed for the employees who work for College programs.

Over the last several years, administrative and operational efficiencies achieved within the MSSD and KDES programs have helped to fund new or expanded initiatives from the base budget during a time when new money from the Federal Government was not forthcoming. The funding available from these efficiencies will have to be used to absorb whatever salary increase plans are developed for employees. Therefore, the major effect of no increase to the overall budget for MSSD and KDES will be to reduce the ability of these programs to chart new directions or expand existing programs through their own resources.

ENROLLMENT

Mr. Hoyer: Can you tell me if your enrollment has gone up this past year? What are your projections for FY 1987 and FY 1988?

Dr. Lee: College enrollments are expected to expand both by continuing to serve those persons deafened during the rubella period, and also through a concerted effort to serve constituencies not now reached through Gallaudet's existing programs.

Gallaudet's Fall enrollment increased by 4% this year. Although estimated earlier in the year at 2100 for FY 1987, we are now expecting 2200. For FY 1988 and beyond we plan to stay within the 2000 - 2500 range.

DORMITORIES

Mr. Hoyer: Are your beds full?

Dr. Lee: Yes, we had an overflow situation last year. And, for FY 1987 we still expect to serve an additional 100 students in the dorms through effective space planning.

Mr. Hoyer: Do you foresee a situation where you must turn away qualified students?

Dr. Lee: Gallaudet has never turned away any qualified students. Through effective enrollment management techniques and space planning, we do not foresee a situation where we would begin to turn away qualified students.

GALLAUDET UNIVERSITY

Mr. Hoyer: I understand there is a bill in the Senate to grant Gallaudet university status and would expect there will be a similar bill introduced soon in the House. Dr. Lee, I'm aware of many of the programs and services Gallaudet offers; but can you tell me in what directions Gallaudet is presently headed and what would be possible if you attained university status?

Dr. Lee: For many years, Gallaudet has responded to its national mission by developing a variety of programs and services for a diverse population of deaf and hearing impaired individuals. The structure Gallaudet has established to achieve this mission is that of a multi-purpose university model which reflects an intensive focus on instructional service and research objectives. In addition to the traditional university structure, the College has also assumed a major outreach responsibility to assist and support other programs and individuals serving deaf persons.

From an instructional perspective, Gallaudet is comprised of a variety of schools and programs at the undergraduate and graduate levels. A university approach requires a broadening of scope beyond a single area of study. Thus, while Gallaudet has maintained its liberal arts core as the central focus of its mission, it has widened its efforts to offer programs in professional preparation and communication areas. In the upcoming year, Gallaudet will establish a new school of management which will meet a need heretofore underserved by programs for deaf persons.

Continuing the university model, Gallaudet has developed a vibrant public service program with the chief aim of delivering cost-effective continuing and professional education services to deaf individuals throughout the country. Five regional centers have been established to offer educational opportunities for many sectors of the deaf population and for those who serve the deaf; opportunities that might otherwise be unavailable within these regions of the country. Initiatives in the service area include a major emphasis on the use of satellite technology to further broaden the distribution of Gallaudet programs through cost-effective methods.

Another central component of a modern university is the pursuit of new knowledge, knowledge that can be applied towards the improvement of the human condition. As a national institution, Gallaudet has set a research agenda for itself to expand the borders of understanding relative to the disability of deafness. Over the years Gallaudet has concentrated its efforts on accommodation research; that is, those improvements that can be made to accommodate oneself to the loss of hearing such that those that are deaf can lead successful and productive lives. New efforts are beginning to blend in pursuits in the prevention and restoration fields as a comprehensive research approach to the area of deafness. These efforts, much like many universities, involve significant collaborative relationships with private industry and other institutions.

Finally, Gallaudet's role as a national institution has assumed an outreach perspective so that all deaf persons can benefit from the effective resources and knowledge Gallaudet has developed over 120 years. As an advocate of the methods and services that improve the quality of life for deaf persons, Gallaudet has worked with other individuals and programs serving the deaf to assist them in the most appropriate delivery of educational, medical and related social services. As a university, the College will broaden these efforts so that more and more deaf persons, regardless of age and location, will be able to share in the growing opportunities for those with hearing loss.

REGIONAL CENTERS

Mr. Hoyer: How many people do the Regional Centers serve?

Dr. Lee: Gallaudet's Regional Centers form the base for our outreach and public service programs. These programs offer a way of coordinating service from Gallaudet's main campus to a large multistate region. During FY 1985 there were over 40,000 participants in Gallaudet's outreach and public service programs served in over 40 States.

OUTREACH

Mr. Hoyer: Do you plan to broaden your outreach offerings to address the needs of our older Americans, a population that, as you know, is growing rapidly?

Dr. Lee: As part of its Master Plan review, Gallaudet identified the constituencies that had been underserved or not served at all by programs for the deaf. One such constituency is the post-forty year old. Older Americans in general, regardless of whether they have a disability or not, are returning to educational institutions in great numbers to pursue continuing education programs, to avail themselves of low-cost social services, and to otherwise participate in the programs and services offered by most colleges and universities. These services are particularly cogent for the hearing impaired older American and Gallaudet has taken several steps in this regard.

Gallaudet is focusing on the older American with hearing loss from a variety of perspectives. In terms of instructional programs, Gallaudet participates in the highly successful Elderhostel program which brings a large number of older Americans onto campus for adult basic education and related courses. From a service perspective, the College offers programs to help older Americans cope with their hearing loss. Gallaudet also works with and trains the service providers - e.g., medical professions, social service agencies - to facilitate their interactions with deafened older Americans. Finally, research efforts have expanded to encompass gerontological areas of study.

These programs are just a few of the representative efforts in the area of serving the post-forty age group. Gallaudet will continue to broaden these efforts as this special population grows.

MULTIHANDICAPPED STUDENTS

Mr. Hoyer: In your opening statement you mentioned that Kendall and MSSD will begin serving an increasing number of multihandicapped students. Can you tell me how you plan to do this?

Dr. Lee: While both MSSD and KDES have served multi-handicapped children over the years, these programs will intensify their efforts in this area in the near future. The approach to this constituency has been in several steps.

First, through this past year, MSSD and KDES have worked to determine the needs of this segment of the student population and to determine the needs of those professionals who serve this special population. Pilot programs will be established and will become a regular part of elementary and secondary programs starting with the 1986/87 school year.

From this start, the next step will be to replicate the program in other settings. As part of the regular demonstration and dissemination effort, the programs that serve multi-handicapped students will be able to avail themselves of instructional materials and training modules developed within MSSD and KDES. It is the intention of MSSD and KDES to take and complete these steps over the next three to five years.

PROPOSAL TO COMBINE ACCOUNTS

Mr. Hoyer: As I understand it you propose to combine the accounts for the American Printing House for the Blind, the National Technical Institute for the Deaf and Gallaudet College. Why is this being proposed?

Mr. Skelly: The three institutions all enjoy a similar special relationship with the Federal Government unlike that of other educational institutions. Because they share this special relationship and serve handicapped students it is appropriate and desirable to analyze and therefore to display them as a single account. A single account also simplifies budget presentation and administration.

COMPETITION FOR PRIVATE SUPPORT

Mr. Hoyer: Will NTID and Gallaudet have to compete for private support along with other private and public institutions?

Mr. Skelly: Yes, NTID and Gallaudet will have to compete with other public and private institutions for private support. Gallaudet is currently doing this, as is RIT, NTID's parent institution. The matching endowment will be the incentive for NTID to start raising funds for its own operations, as it does not benefit directly from RIT fundraising.

In general, contributions to educational institutions are increasing nationwide. The Council for Financial Aid to Education recently reported that corporate contributions to education increased 23.8 percent in 1985 compared to 1984, surpassing the amount contributed by alumni and other donor groups for the first time ever. In addition, alumni donations increased 11.9 percent, and donations from other sources increased from 7.6 to 11.4 percent. A recent study for the Rockefeller Brothers Fund also found that many Americans would give more funds to charitable organizations if they were asked to do so, and believe that they should give more money than they currently do.

These findings indicate that, while NTID and Gallaudet might be competing with other institutions for funding, the pool of available funding is expanding. In addition, we believe that many people, corporations, and foundations who are interested in education of the deaf will contribute to Gallaudet or NTID that might not contribute to other colleges. Also among potential contributors are the alumni of Gallaudet and NTID, who enjoy substantial economic advantages as a result of their education and who earn incomes above the average for deaf college graduates.

DEPARTMENT OF EDUCATION

Payments to Institutions for the Handicapped

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PAYMENTS TO INSTITUTIONS FOR THE HANDICAPPED

For direct payments to institutions for the handicapped, $95,627,000, of which $5,510,000 shall be for carrying out the Act of March 3, 1879, as amended (20 U.S.C. 101 et. seq.);[2] $30,380,000 shall be for carrying out the National Technical Institute for the Deaf Act (20 U.S.C. 681 et. seq.);[2] and $59,737,000 shall be for carrying out the Model Secondary School for the Deaf Act (80 Stat. 1027) and for partial support of Gallaudet College authorized by the Act of June 18, 1954 (68 Stat. 265).[2] (Department of Education Appropriation Act, 1986.)

[SPECIAL INSTITUTIONS]

[AMERICAN PRINTING HOUSE FOR THE BLIND][1]

[For carrying out the Act of March 3, 1879, as amended (20 U.S.C. 101-106), including provision of materials to adults undergoing rehabilitation on the same basis as provided in 1985, $5,500,000.]

[NATIONAL TECHNICAL INSTITUTE FOR THE DEAF][1]

[For carrying out the National Technical Institute for the Deaf Act (20 U.S.C. 681 et seq.), $32,000,000.]

[GALLAUDET COLLEGE][1]

[For carrying out the Model Secondary School for the Deaf Act (80 Stat. 1027) and for the partial support of Gallaudet College authorized by the Act of June 18, 1954 (68 Stat. 265), including continuing education activities, existing extension centers and the National Center for Law and the Deaf, $62,000,000.] (Department of Education Appropriation Act, 1986.)

PAYMENTS TO INSTITUTIONS FOR THE HANDICAPPED

Explanation of Language Changes

1/ The budget proposes one account, "Payments to Institutions for the Handicapped," to replace the three separate accounts in 1986 and in prior years. Language is no longer needed for the separate accounts.

2/ Earmarks are included for each supported institution in order to identify the funding provided.

Payments to Institutions for the Handicapped

Language Analysis

Language Provision	Explanation
For payments to the institutions for the Handicapped, $95,627,000,	This establishes the appropriation for the account, which includes separate authorizations for each institution.
...of which $5,510,000 shall be for carrying out the Act of March 3, 1879, as amended (20 U.S.C. 101 et seq.);	This amount is for the American Printing House for the Blind.
...$30,380,000 shall be for carrying out the National Technical Institute for the Deaf Act (20 U.S.C. 681 et seq.),	This amount is for the operation of the National Technical Insitute for the Deaf.
...$59,737,000 shall be for carrying out the Model Secondary School for the Deaf Act (80 Stat. 1027) and for the partial support of Gallaudet College authorized by the Act of June 18, 1954 (68 Stat. 265).	This amount is for the operation of Gallaudet College, including the Model Secondary School for the Deaf and the Kendall Demonstration Elementary School.

Payments to Institutions for the Handicapped

Amounts Available for Obligation

	1985	1986	1987
Appropriation:			
Annual	---	---	$97,627,000[1]
Comparative transfers from:			
American Printing House for the Blind	$5,510,000[2]	$5,273,000[2][3]	---
National Technical Institute for the Deaf	31,400,000	30,624,000[3]	---
Gallaudet College	58,700,000	59,335,000[3]	---
Proposed rescission	---	-446,000	---
Subtotal, adjusted budget authority	95,610,000	94,786,000	97,627,000
Unobligated balance, start of year	392,000	---	---
Unobligated balance, end of year	---	---	-60,000
Total obligations	96,002,000	94,786,000	97,567,000

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[1] Includes $2,000,000 proposed for later transmittal under proposed legislation.

[2] Includes $10,000 permanent appropriation.

[3] Excludes sequestered amounts: American Printing House for the Blind, $237,000; National Technical Institute for the Deaf, $1,376,000; and Gallaudet College, $2,665,000.

Payments to Institutions for the Handicapped

Budget Authority by Activity

	1986 Appropriation	1986 Available after Sequestering	1986 Revised	1987
1. American Printing House for the Blind.....	$5,510,000	$5,273,000	$5,273,000	$5,510,000
2. National Technical Institute for the Deaf:				
(a) Operations........................	30,290,000	28,914,000	28,914,000	28,884,000
(b) Operations - rubella epidemic.....	1,710,000	1,710,000	1,710,000	1,496,000
(c) Endowment grant....................	---	---	---	1,000,000
Subtotal.......................	32,000,000	30,624,000	30,624,000	31,380,000
3. Gallaudet College:				
(a) College programs..................	39,462,000	37,654,000	37,404,000	38,252,000
(b) College programs - rubella epidemic..........................	2,595,000	2,595,000	2,595,000	2,595,000
(c) Endowment grant....................	---	---	---	1,000,000
(d) Model Secondary School for the Deaf (MSSD)..................	12,846,000	12,294,000	12,200,000	12,200,000
(e) Kendall Demonstration Elementary School (KDES)..........	7,097,000	6,792,000	6,690,000	6,690,000
Subtotal.......................	62,000,000	59,335,000	58,889,000	60,737,000
Total.......................	99,510,000	95,232,000	94,786,000	97,627,000

Payments to Institutions for the Handicapped

Budget Authority by Activity - continued

NOTES

1. Includes $10,000 permanent appropriation.

2(c). Proposed for later transmittal under proposed legislation.

3(a). Reflects a proposed rescission of $250,000.

3(c). Proposed for later transmittal under proposed legislation.

3(d). Reflects a proposed rescission of $94,000.

3(e). Reflects a proposed rescission of $102,000.

Payments to Institutions for the Handicapped

Budget Authority by Object

	1985	1986	1987
Grants, subsidies, and contributions..............	$95,610,000	$94,786,000	$97,627,000
Total budget authority by object..............	95,610,000 [1]	94,786,000 [1] [2]	97,627,000 [3]

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[1] Includes $10,000 permanent appropriation.

[2] Reflects a reduction of $4,278,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; and a proposed rescission of $446,000.

[3] Includes $2,000,000 in endowment grants for NTID and Gallaudet College proposed for later transmittal under proposed legislation.

Payments to Institutions for the Handicapped

Summary of Changes

1986 Estimate	$99,510,000 1/
1986 Sequester order	-4,278,000
1986 Proposed rescission	-446,000
Total estimated budget authority	94,786,000 1/
1987 Request	97,627,000
Net change	+2,841,000

	1986 base 2/	Change from base
Increases:		
Program:		
1. APHB educational materials for the blind, to replace permanent appropriation	3/	+$10,000
2. Increase in per student allotment for APHB educational materials from $104.89 to $105.91	$4,804,000	+216,000
3. Increased funding for APHB advisory committee expenses	134,000	+6,000
4. Additional funding for APHB research activity	335,000	+15,000
5. NTID price increases in support costs which include supplies, professional fees, travel and equipment	2,716,900	+147,900
6. Increase in NTID contract services for utility and telephone rate changes	944,100	+47,200
7. Compensation increase for faculty and staff:		
(a) NTID	19,596,000	+1,665,600
(b) Gallaudet College (includes College programs, MSSD and KDES)	46,480,000	+1,088,000
8 Endowment grant:		
(a) NTID	—	+1,000,000
(b) Gallaudet College	—	+1,000,000
Subtotal		+5,195,700

Payments to Institutions for the Handicapped

Summary of Changes - continued

	1986 base	Change from base
Decreases:		
Program:		
1. Termination of permanent trust fund	$10,000	-$10,000
2. Reduction in equipment portion of support costs at NTID	2,716,900	-500,000
3. Reduction in 26 faculty at NTID due to decrease in students with rubella-related deafness	19,596,000	-658,000
4. Reduction in contract service estimates at NTID	944,000	-47,200
5. Reduction in auxiliary services provided by RIT to NTID	7,367,000	-899,500
6. Reduction in Gallaudet College's general institutional support for MSSD and KDES	2,685,000 [4]	-240,000
Subtotal		-2,354,700
Net change		+2,841,000

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[1] Includes $10,000 permanent appropriation.

[2] Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

[3] APHB currently receives a $10,000 permanent appropriation.

[4] Includes a proposed rescission of $446,000 for Gallaudet College, including MSSD and KDES.

Payments to Institutions for the Handicapped

Authorizing Legislation

Activity	Legislative Citation	1986 Authorized	1987 Authorized
1. American Printing House for the Blind [1]	20 U.S.C. 101 et seq.	Indefinite	Indefinite
2. National Technical Institute for the Deaf:	20 U.S.C. 681 et seq.		
a. Operations		Indefinite	Indefinite
b. Endowment	Proposed legislation	---	To be determined
3. Gallaudet College:	68 Stat. 265	Indefinite	Indefinite
a. Model Secondary School for the Deaf - MSSD	80 Stat. 1027	Indefinite	Indefinite
b. Kendall Demonstration Elementary School - KDES	P.L. 91-587	Indefinite	Indefinite
c. Endowment Grant	Proposed legislation	---	To be determined
Unfunded authorization:			
NTID construction	20 U.S.C. 681 et seq.	Indefinite	Indefinite
Gallaudet construction	68 Stat. 265	Indefinite	Indefinite

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[1] Section 101 authorizes a permanent appropriation of $10,000 per year in addition to authorizing an annual appropriation of "such sums as may be necessary."

Payments to Institutions for the Handicapped

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1987	$97,627,000 1/ 2/			

1/ Includes activities previously financed in the American Printing House for the Blind, National Technical Institute for the Deaf and Gallaudet College accounts.

2/ Includes $2,000,000 proposed for later transmittal under proposed legislation.

American Printing House for the Blind

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation 1/
1978	$1,817,000	$1,817,000	$1,817,000	$1,817,000
1979	1,097,000	1,967,000	1,967,000	1,967,000
1980	4,349,000	4,349,000	4,349,000	4,349,000
1981	4,921,000	4,921,000	4,921,000	4,921,000
1982	5,595,000	5,000,000	5,000,000	5,000,000
1983	4,924,000	5,000,000	5,000,000	5,000,000
1984	5,500,000	5,000,000	5,500,000	5,000,000
1985	5,000,000	5,500,000	5,500,000	5,500,000
1986	5,510,000	5,500,000	5,500,000	5,500,000
1986 Sequester	-237,000			
1987	2/			

1/ Reflects enacted supplementals, rescissions and reappropriations.

2/ Activities financed in this account in 1986 are proposed for financing in the Payments to Institutions for the Handicapped account in 1987.

NOTE: Excludes $10,000 permanent appropriation for all years.

National Technical Institute for the Deaf

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation 1/
1978	$14,630,000	$14,630,000	$14,630,000	$14,630,000
1979	16,625,000	16,625,000	16,625,000	16,625,000
1980	17,349,000	17,349,000	17,349,000	17,349,000
1981	20,305,000	20,305,000	20,305,000	20,305,000
1982	32,811,000	26,300,000	26,300,000	26,300,000
1983	26,297,000	26,300,000	26,300,000	26,300,000
1984	28,000,000	26,300,000	28,000,000	28,000,000
1985	31,400,000	31,400,000	31,400,000	31,400,000
1986	30,080,000	31,400,000	32,000,000	32,000,000
1986 Sequester	-1,376,000			
1987	2/			

1/ Reflects enacted supplementals, rescissions and reappropriations.

2/ Activities financed in this account in 1986 are proposed for financing in the Payments to Institutions for the Handicapped account in 1987.

Gallaudet College

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation 1/
1978	$45,976,000	$45,976,000	$45,976,000	$45,976,000
1979	44,833,000	44,833,000	44,833,000	44,833,000
1980	48,341,000	48,341,000	48,341,000	48,341,000
1981	49,768,000	49,768,000	49,768,000	49,768,000
1982	61,532,000	49,920,000	49,920,000	52,000,000
1983	52,000,000	52,000,000	52,000,000	52,000,000
1984	55,590,000	52,000,000	56,000,000	56,000,000
1985	46,835,000	58,700,000	56,700,000	58,700,000
1986	58,889,000	58,700,000	62,000,000	62,000,000
1986 Sequester	-2,665,000			
1986 Proposed Rescission	-446,000			
1987	2/			

1/ Reflects enacted supplementals, rescissions and reappropriations.

2/ Activities financed in this account in 1986 are proposed for financing in the Payments to Institutions for the Handicapped account in 1987.

Payments to Institutions for the Handicapped

Account Summary

	1985	1986	1987
1. American Printing House for the Blind............	$5,510,000 1/	$5,273,000 1/	$5,510,000
2. National Technical Institute for the Deaf:			
a. Operations............	28,290,000	28,914,000	28,884,000
b. Operations - rubella epidemic..............	1,710,000	1,710,000	1,496,000
c. Endowment grant......	—	—	1,000,000 2/
d. Construction..........	1,400,000	—	—
Subtotal..........	31,400,000	30,624,000	31,380,000
3. Gallaudet College:			
a. College programs......	37,404,000	37,404,000	38,252,000
b. College programs - rubella epidemic......	2,406,000	2,595,000	2,595,000
c. Endowment grant.......	—	—	1,000,000 2/
d. Model Secondary School for the Deaf..........	12,200,000	12,200,000	12,200,000
e. Kendall Demonstration Elementary School.....	6,690,000	6,690,000	6,690,000
Subtotal..........	58,700,000	58,889,000	60,737,000
Total budget authority.........	1/ 95,610,000	1/3/ 94,786,000	97,627,000

1/Includes $10,000 permanent appropriation.

2/Request pending submission of proposed legislation.

3/Reflects a reduction of $4,278,000 pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177; and a proposed rescission of $446,000.

Payments to Institutions for the Handicapped

Account Summary -- Continued

The budget proposes a single new account instead of three separate accounts for these institutions for several reasons.

The three institutions all enjoy a similar special relationship with the Federal Government unlike that of other educational institutions. Because they share this special relationship, it is appropriate and desirable to analyze and therefore to display them as a single account. Federal educational assistance is not normally appropriated for specific institutions, but instead for groups of institutions or for students. In contrast, these three institutions are all explicitly recognized in statute. Direct, dedicated Federal appropriations are their largest single source of funds. In addition, all three institutions serve handicapped students. Displaying them in a single account, listed in the budget along with other programs serving the handicapped, emphasizes this role and encourages consideration of policy toward these institutions in tandem with policy in other programs for the handicapped.

A single account also simplifies budget presentation and administration. The size of the appropriations does not justify three separate accounts.

The 1987 budget increases the Federal direct appropriation for these three institutions by $2,841,000 above the revised 1986 level. This increase will provide sufficient Federal subsidies for each institution, supporting adequate program operations.

Due to the need to reduce the Federal deficit, the Department's long term strategy is to help the institutions find means of reducing their dependence on Federal support. As part of this strategy, the Department is proposing matching endowment grants for the National Technical Institute for the Deaf and for Gallaudet. The Department will also exercise its oversight responsibilities by analyzing ways in which the institutions can control their costs and increase their non-Federal revenues without harming the quality and availability of their programs. The institutions will be encouraged to use the results of these analyses in their internal planning.

Payments to Institutions for the Handicapped

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1. American Printing House for the Blind
   (20 U.S.C. 101 et seq.)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation [1]	1986 Available after Sequestering [1]	1987	Increase or Decrease
$5,510,000	$5,273,000	$5,510,000	+$237,000

Purpose and Method of Operation

In administering the Act to Promote the Education of the Blind, Federal funds are authorized for the American Printing House for the Blind (APHB). Under this Act, the Printing House provides special educational materials to legally blind persons enrolled in formal educational programs below the college level. Availability of these materials promotes equal opportunity and increases the quality of education for blind students. The Printing House manufactures and maintains an extensive inventory of special materials. It distributes these materials free nationally to schools and States through proportional allotments based on an annual census. The bulk of the appropriation is used by the Printing House for cost of labor and materials to produce these special items which have been selected and approved by its advisory committees.

The Printing House has two advisory committees--Publications, and Research and Development. The members of these committees are chosen from ex-officio trustees as defined by the Act. These committees ensure that all educational materials produced and all research undertaken meet the needs of blind students. The Printing House undertakes field activities to inform educators about what materials are available, how materials should be used, and how materials may be obtained.

The educational and technical research activity provides continuity for a broad program. It develops needed educational materials for the blind and conducts basic behavioral research required for such development. Instructional materials are developed in areas such as: braille reading, science, mathematics, and social studies. In addition, special materials for severely multi-handicapped blind students, preschool materials, materials to increase functional use of remaining vision, and educational applications of microcomputers are developed. Research and development is conducted on a national basis making maximum use of input from educators and blind students.

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[1] Includes $10,000 permanent appropriation.

Payments to Institutions for the Handicapped

1. American Printing House for the Blind

Purpose and Method of Operation - continued

The Printing House is a grant-in-aid program which is current-funded through direct appropriations. In fiscal year 1987, it is estimated that the direct Federal subsidy will support 42 percent of APHB's expenditures. Other Federal programs, private sources, endowment and investment income, and revenue from product sales provide the remaining funding.

Accomplishments

In the last twelve months, progress has been made in a number of areas at the Printing House. Some of these are as follows:

1. Funds donated by the public were used to improve operations through:
   - -- Acquisition of a second computerized, high-speed braille platemaker;
   - -- Upgrading of its electroplating operations;
   - -- Continued upgrading of printing equipment for short-run large type textbooks;
   - -- Continuation of the installation of a computerized business management system for all financial, distributive, and manufacturing functions.

2. New products made available, in addition to the usual new textbooks in braille and large type, include:
   - -- A kit to teach blind students to use the Apple IIe microcomputer;
   - -- Thirty-five computer-assisted instructional software programs which the Printing House converted to spoken output;
   - -- Three educational software programs with spoken output, created expecially for the blind;
   - -- An adapter kit for microcomputers to provide better control of spoken output;
   - -- An improved portable disc player for Talking Books.

3. A new position for a microcomputer systems programmer was established and a qualified blind person was hired to fill it.

Payments to Institutions for the Handicapped

1. American Printing House for the Blind

1987 Budget Proposal

In fiscal year 1987, $5,510,000 is requested for the American Printing House for the Blind. Of that amount $5,020,000 is for educational materials, which represents a $237,000 increase above the 1986 level. With these funds the Printing House will serve approximately 47,400 blind persons—40,200 students and 7,200 adult rehabilitation clients—an additional 1,600 blind persons, or a three percent increase, over fiscal year 1986. This level of funding will support a per capita allotment of $105.91, an increase of $1.02 over 1986.

The 1987 budget request provides $140,000 for expenses related to advisory committees and $350,000 for the educational and technical research activity.

It is estimated that in fiscal year 1987 the request of $5,510,000 will provide approximately 42 percent of the Printing House's total operating budget.

Legislation is proposed to terminate the $10,000 permanent appropriation, which APHB receives annually in lieu of interest income from a 1879 trust fund. An offsetting increase of $10,000 is requested in the regular appropriation. Administration of the annual interest payment, which amounts to less than one-tenth of one percent of the annual Federal appropriation of the Printing House, is not cost-effective. Accounting and budgeting tasks at the Federal level alone have cost at least $2,000 this year. Termination of the trust fund is supported by APHB.

Impact Data	1985	1986 after Sequestering	1987
ED appropriation (%)........	45%	43%	42%
Students served............	44,313	45,800	47,400
Per student allotment.......	$113.29	$104.89	$105.91
Advisory Committee meetings....................	4	4	4
State education departments visited....................	12	11	12
Residential programs visited....................	12	11	12
Rehabilitation programs visited....................	4	3	2
Visits to LEAs..............	4	3	3
Visits to teacher training programs..........	4	3	5
Other workshops held........	10	10	12
Catalogs distributed........	20,000	18,000	25,000

Payments to Institutions for the Handicapped

1. American Printing House for the Blind

Impact Data - continued

Impact Data	1985	1986 after Sequestering	1987
Research development projects underway.........	12	12	13
Materials developed.........	10	13	16
Project leaders.............	5	5	6
Research staff..............	15	15	16
Total employees.............	430	390	395

Payments to Institutions for the Handicapped

SUPPLEMENTAL FACT SHEET

Analysis of Changes for American Printing House for the Blind

1986 Estimate	$5,510,000 [1]
1986 Sequester order	-237,000
Total estimated budget authority	5,273,000 [1]
1987 Request	5,510,000
Net change	+237,000

	1986 base	Change from base
Increases:		
Program:		
1. Offsets interest income from trust fund which proposed legislation will terminate	[2]	+$10,000
2. This increase and the $10,000 to offset the loss of trust fund income will raise the per pupil allotment for materials per student to $105.91	$4,804,000 [1]	+216,000
3. Advisory committees - the additional amount will increase visits to user institutions which play a major role in disseminating information	134,000	+6,000
4. Educational and technical research - the additional funds will increase research activity	335,000	+15,000
Subtotal		+247,000
Decreases:		
Program:		
1. Termination of permanent trust fund	10,000	-10,000
Net change		+237,000

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[1] Includes $10,000 permanent appropriation.

[2] APHB currently receives a $10,000 permanent appropriation.

Payments to Institutions for the Handicapped

SUPPLEMENTAL FACT SHEET

American Printing House for the Blind

Number of Eligible Persons

Fiscal Year	Total Number	Pupils Preschool through Grade 12	Adults
1982	36,397	33,920	2,477
1983	38,249	34,939	3,310
1984	41,145	37,383	3,762
1985	44,313	38,365	5,948
1986 (est.)	45,800	39,229	6,571
1987 (est.)	47,400	40,200	7,200

Fiscal Year	Appropriation for Educational Materials	Permanent Appropriation	Per Capita Rate Per Person Based On Total Number	Difference From Prior Year
1982	$4,660,000	$10,000	$128.31	-$3.56
1983	4,660,000	10,000	122.09	-6.22
1984	4,660,000	10,000	113.50	-8.59
1985	5,010,000	10,000	113.29	-.21
1986 (est.)	4,794,000	10,000	104.89	-8.40
1987 (est.)	5,020,000	—	105.91	+1.02

The American Printing House for the Blind's Total Operating Budget
(dollars in thousands)

Fiscal Year	Total	Appropriations Annual	Appropriations Permanent	Educational Sales	Contracts
1982	$11,807	$5,000	$10	$1,756	$5,041
1983	11,622	5,000	10	1,533	5,079
1984	12,350	5,000	10	3,166	4,174
1985	12,240	5,500	10	3,266	3,464
1986 (est.)	12,298	5,263	10	3,510	3,515
1987 (est.)	13,100	5,510	—	3,921	3,669

Personnel Data

Employees	1986	1987	1987 Average Wage
Production & clerical	314	318	$5.12/hr.
First line supervisors	32	32	7.65/hr.
Administrative & professional	37	38	1,570/mo.
Executive management	7	7	2,701/mo.
	390	395	

2. National Technical Institute for the Deaf: a) Operations; and b) Operations - rubella epidemic (20 U.S.C. 681 et seq.)

1987 Authorization: Indefinite

Budget Authority:

	1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
Operations........	$30,290,000	$28,914,000	$28,884,000	-$30,000
Operations - rubella epidemic.	1,710,000	1,710,000	1,496,000	-214,000
Total......	32,000,000	30,624,000	30,380,000	-244,000

Purpose and Method of Operation

The National Technical Institute for the Deaf (NTID) receives direct Federal subsidies to provide postsecondary education for the deaf. In 1987, it is estimated that the direct Federal subsidy will fund about 84 percent of NTID's budget. The remaining funds will come from other Federal programs, State and local governments, tuition, other private sources and sales of products and services. NTID offers a variety of technical programs at the certificate, diploma and associate degree level. Through the academic programs offered by the other colleges of the Rochester Institute of Technology (RIT), deaf students pursue advanced technological studies at the bachelor's and master's degree level The association with Rochester Institute of Technology provides deaf students and have a wide choice of career preparation options. The location of NTID on the campus of a comprehensive institution fulfills one of the criteria laid down in the authorizing legislation.

The technical and professional education programs are augmented with special support services. These services include cooperative work experience (co-op) and permanent job placement services, as well as direct classroom services such as tutoring, notetaking, interpreting and provision of special educational media. Additionally, NTID provides personal and career counseling and conducts applied research into the occupational and the employment-related aspects of deafness, communication assessment and instruction, and education and cognition.

Payments to Institutions for the Handicapped

2. National Technical Institute for the Deaf: a) Operations; and
b) Operations - rubella epidemic

Purpose and Method of Operation - continued

NTID also provides a systematic program of information dissemination and training which arises from NTID's mandate to improve deaf education and the economic opportunities for deaf citizens nationally. Research findings and education techniques and products are shared regularly through publications and training seminars. NTID trains professionals in the field of deafness through its University of Rochester/ NTID Graduate Program for Education Specialists, an Associate in Applied Science (AAS) program in interpreting, a Tutor/Notetaking Program and an Internship program for graduate students and other professionals.

NTID is current funded through direct appropriations.

Accomplishments

In fiscal year 1985, 179 degrees were granted. NTID's nationwide cooperative education program provided 389 deaf students with opportunities to gain real world work experiences and thus apply concepts learned in the classroom. Other educational support services included 36,738 hours of notetaking, 12,951 hours of tutoring and 59,493 hours of interpreting. To facilitate job entry of graduates, the National Center on Employment of the Deaf provided training to potential employers, vocational rehabilitation counselors and others who work with hearing-impaired employees as well as providing services before, during and after the hire. Twenty-three corporations conducted 218 employment interviews at NTID. NTID continued to provide career outreach programs to high school students, educators and parents.

Additional fiscal year 1985 accomplishments relate to NTID's research, training and information dissemination mandate. One hundred thirty applied research publications were completed, 64 individuals were enrolled in the Associate degree training program in Interpreting, 30 students in the Basic Interpreting Training Program and 46 professionals who serve deaf people or graduate students preparing to work with deaf individuals were provided internship experiences. Eighteen thousand two hundred educational product catalogues were disseminated to provide educators and others with information about products created for deaf students at NTID. Their products are available for use in the education and training of deaf individuals. Finally, over 4,300 prospective students, professionals and government officials visited NTID to learn about the programs and services available to deaf students.

Payments to Institutions for the Handicapped

2. National Technical Institute for the Deaf: a) Operations; and
b) Operations - rubella epidemic

Accomplishments - continued

As of October 1985, NTID placed 95 percent of its graduates in a diverse array of positions. Eighty percent of these graduates are employed in business and industry, 13 percent in government and 7 percent in education.

In fall of 1985, 1,296 deaf students were registered in a career oriented program. This number includes 426 new students.

During fiscal year 1985, NTID reaffirmed its commitment to affirmative action to the Department of Education and the Congress. A policy statement has been updated and affirmative action goals have been revised and disseminated based upon an extensive internal and external workforce analysis. A new training manager has been designated as an affirmative action coordinator. The problem has been identified and commitment gained from NTID's National Advisory Group, which in response established a subcommittee on affirmative action. NTID's commitment to affirmative action was reaffirmed to all staff in the Director's annual State of the Institute message. An in-house Committee comprised of faculty and staff has been established to develop long-range affirmative action strategies. In process is the development of affirmative action training programs, discussions with all employees on affirmative action plans and strategy, and actions to make affirmative action a part of NTID's annual planning process.

NTID's commitment to affirmative action has begun to result in progress, as evidenced by a comparison of the current workforce with that of September 1984.

	Total Employees	Females	Total Minorities	Black	Total Handicapped	Hearing Impaired
September, 1984	584	343	19	10	54	47
Current	579	340	27	15	57	52
Percent increase	—	—	42%	50%	6%	11%
Fiscal Year 1986 Goals	584	343	32	19	64	55

A further break of this data has been presented in a supplemental fact sheet.

Payments to Institutions for the Handicapped

2. National Technical Institute for the Deaf: a) Operations; and
b) Operations - rubella epidemic

1987 Budget Proposal

In fiscal year 1987, $30,380,000 is requested for NTID operations. Of the requested amount, $28,884,000 is for the base program, a decrease of $30,000 from the 1986 post-sequester level. This level of funding will provide the same level of Federal subsidy as in 1986. For costs of educating the enrollment added by the maternal rubella epidemic of 1964-65, $1,496,000 is provided, a decrease of $214,000 from the 1986 post-sequester level. The number of rubella students attending NTID is waning, from an estimated 320 in 1986 to 280 in 1987. As a result, the need for Federal funding for this student population is also decreasing.

In fiscal year 1987 a proposed salary increase of seven and one half percent and a benefit increase of one and one half percent of salary are planned for NTID employees in accordance with plans of the host institution, Rochester Institute of Technology. This salary increase will be funded by reducing expenditures on less essential administrative support services.

In 1985, Senate oversight hearings and a General Accounting Office (GAO) report provided some evidence that NTID expenditures per student may be excessive. A forthcominng GAO report will address this issue in more detail, comparing NTID to Gallaudet and to the four regional programs which receive a substantially lower level of Federal funding. Building on these reports, the Department will conduct an analysis to aid NTID (and RIT) in determining means of controlling expenditutes and increasing non-Federal revenues, without harming the quality or availability of their programs. This analysis is part of the Department's long-term plan to help NTID reduce its dependence on Federal funds, given the need to reduce the Federal deficit.

Impact Data	1985	1986 after Sequestering	1987
Cost of attendance:			
Tuition......................	$1,683	$2,034	$2,385
Room.........................	1,140	1,204	1,270
Board........................	1,626	1,674	1,758
Fees.........................	273	288	289
Total....................	4,722	5,200	5,702
Direct Federal Subsidy:			
Percentage of ED support.......	85%	84%	84%

Payments to Institutions for the Handicapped

2. National Technical Institute for the Deaf: a) Operations; and
b) Operations - rubella epidemic

Impact Data	1985	1986 after Sequestering	1987
Student population:			
Applications	998	911	700
Acceptances	673	624	490
Registrations:	484	426	225
Freshmen	426	314	185
Transfers	58	112	40
Off term entries (students entering during the winter/spring quarters)	22	28	30
Waiting list	37	0	138
Enrollment capacity	1,250	1,250	1,250
Enrollment	1,319	1,296	1,112
Regular (base)	(1,000)	(976)	(832)
Rubella epidemic	(319)	(320)	(280)
Technical programs	(1,111)	(1,093)	(912)
Professional programs	(208)	(203)	(200)
Full-time equivalent students	1,569	1,547	1,279
Graduates	179	250	250
Summer Vestibule Program	359	0	0
Outreach:			
Research publications	150	500	500
Tutors/notetakers trained	260	260	260
Interpreters trained	203	200	200
AAS program for interpreting	61	64	60
University of Rochester/NTID Graduate program for educational specialists	25	25	25
Personnel:			
Faculty	299	290	264
Staff	301	294	294
Total	600	584	558

Payments to Institutions for the Handicapped

2. National Technical Institute for the Deaf: c) Endowment
(Proposed legislation)

1987 Authorization: To be determined

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
---	---	$1,000,000	+$1,000,000

Purpose and Method of Operation

This is a new matching endowment grant program designed to assist in meeting future needs of NTID and reduce long-term Federal funding requirements. Under the proposed legislation, NTID would receive part of its annual appropriation as an endowment grant. It would receive these funds as it matches the grant through non-Federal contributions. The resulting endowment fund would then generate income from low-risk investments which could be used to support NTID operations and construction. Up to 50 percent of the income earned each year could be withdrawn for expenditures. Additional grants and concomitant matching contributions would cause the resulting income to grow larger over time. This proposal is patterned after the Howard University Endowment Act.

1987 Budget Proposal

The 1987 budget request includes $1,000,000 proposed for a new endowment grant program which would require non-Federal matching contributions. The endowment grant has the advantage over the existing direct appropriation in that it would stimulate contributions from non-Federal sources. Because of the matching, potential contributors would have a stronger incentive to donate money to NTID. NTID has never attempted to raise private funds in the past, and does not receive revenues from RIT's fundraising efforts. Hence the endowment grant would encourage NTID to begin its own fundraising program.

There would also be an incentive for NTID to obtain non-Federal funds to support its per student expenditures, which appear high compared to other postsecondary schools for the deaf, and to reduce its dependence on direct Federal appropriations.

Payments to Institutions for the Handicapped

SUPPLEMENTAL FACT SHEET

Analysis of Changes for National Technical Institute for the Deaf

1986 Estimate	$32,000,000
1986 Sequester order	-1,376,000
Total estimated budget authority	30,624,000
1987 Request	31,380,000
Net change	+756,000

	1986 base	Change from base
Increases:		
Program:		
1. Pay raise proposed by sponsoring institution (RIT)	$19,596,000	+$1,665,600
2. Increase in contract services for utility and telephone rate increases	944,100	+47,200
3. Price increase in support costs which includes supplies, professional fees, travel and equipment	2,716,900	+147,900
4. Endowment grant	---	+1,000,000
Subtotal		+2,860,700
Decreases:		
Program:		
1. Reduction in 26 faculty at NTID due to decrease in students with rubella-related deafness	19,596,000	-658,000
2. Reduction in amount of contract services provided at NTID	944,100	-47,200
3. Reduction in auxiliary services provided by RIT to NTID	7,367,000	-899,500
4. Reduction in equipment portion of support costs at NTID	2,716,900	-500,000
Subtotal		-2,104,700
Net change		+756,000

Payments to Institutions for the Handicapped

SUPPLEMENTAL FACT SHEET

National Technical Institute for the Deaf
Faculty and Staff Affirmative Action Report

EEO Class	Total Employees			Females			Total Minorities			Black			Total Handicapped			Hearing Impaired		
	9-84	Current	Goal	9-84	Current	Goal	9-84	Current	Goal	9-84	Current	Goal	9-84	Current	Goal	9-84	Current	Goal
Executive/ Administrative/ Managerial	73	74	73	25	25	25	3	4	4	1	2	2	8	8	8	5	6	6
Faculty	250	257	250	127	127	127	7	8	10	3	3	5	30	31	34	28	30	31
Professional	165	159	165	106	106	106	5	7	11	2	3	6	11	13	14	10	12	12
Technical	25	22	25	16	16	16	2	3	3	2	3	3	4	4	4	3	3	3
Secretarial/ Clerical	71	67	71	69	66	69	2	5	4	2	4	3	1	1	4	1	1	3
TOTAL	584	579	584	343	340	343	19	27	32	10	15	19	54	57	64	47	52	55

Payments to Institutions for the Handicapped

SUPPLEMENTAL FACT SHEET

National Technical Institute for the Deaf

Salary Data:

Personnel	Average Salary Fiscal Year 1986
All Faculty	$28,415
Professor	42,584
Associate	35,056
Assistant	26,556
Instructor	21,340
Lecturer	21,002
Professional Staff	22,379
Clerical/Hourly	12,272

Default Rate	School Year 1983-84	School Year 1984-85
NDSL	7.87%	6.96%

Payments to Institutions for the Handicapped

3. Gallaudet College: a) College programs; and b) College programs - rubella epidemic (68 Stat. 265)

1987 Authorization: Indefinite

Budget Authority:

	1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
College programs....	$39,462,000	$37,654,000	$37,404,000	$38,252,000	+$848,000
College programs - rubella epidemic...	2,595,000	2,595,000	2,595,000	2,595,000	---
Total........	42,057,000	40,249,000	39,999,000	40,847,000	+848,000

Purpose and Method of Operation

Gallaudet College is a private, nonprofit educational institution providing college preparatory, undergraduate, and continuing education programs for deaf persons. Gallaudet College is the largest single provider of four-year bachelor degree programs for deaf students in the United States and the world. In addition, the school offers graduate programs in fields related to deafness, conducts a wide variety of deafness research, and provides public service programs for deaf persons and professionals who work with deaf persons throughout the Nation and in many parts of the world.

As a comprehensive national institution, Gallaudet College serves deaf people from all fifty States through appropriately designed educational opportunities, public services, and research programs. It offers a traditional liberal arts curriculum and graduate programs on its main campus and a preparatory program on the satellite campus in Northwest Washington. In addition to these instructional programs and due to the communications handicap of deafness and the personal adjustment problems deafness often generates, the College provides special communications training, counseling and other supportive services to its students to a far greater extent than other liberal arts colleges.

The college programs are current funded through direct appropriations.

Payments to Institutions for the Handicapped

3. Gallaudet College: a) College programs; and b) College programs - rubella epidemic

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Accomplishments

During the prior year, through its programs of instruction, research, and public service, Gallaudet has educated 1,743 undergraduate students and 380 graduate students; developed 45 different research publications; and provided public service programs to 40,300 participants. Additionally, over 8,300 students, professionals, dignitaries, and members of the general public visited the campus seeking first-hand information about Gallaudet, MSSD and KDES programs and services.

In fiscal year 1986, the College began to implement its recently-developed Master Plan. The plan, which calls for the broadening of services to current and new constituencies, was set in motion through a variety of new programs. For example, two new regional centers were established in Dallas, Texas and St. Augustine, Florida. Also, a new career center was formed with the aim of enhancing career decision making and the job placement potential of Gallaudet's students. Instructional programs were enhanced through the effective development and use of instructional-based software. These are just a few of the areas which were a high priority for the College during 1986.

In fiscal year 1986, the College maintained its quality academic programs. Efforts continued to focus on providing education/support programs through a campus environment that is enriching and stimulating to the students. Research efforts continued in the area of language, communication and culture as aspects of accommodation to deafness, while efforts were accelerated in deafness prevention and hearing restoration research. Public service programs designed to respond to the needs of professionals, deaf individuals, parents and others continued to be in high demand. Finally, the College was successful in involving members of the business and educational communities in seeking increased private funding support.

1987 Budget Proposal

In fiscal year 1987 $40,847,000 is requested for the college programs. Of the requested amount, $38,252,000 is for the base program, an increase of $848,000 over the post-sequester level. These funds will support an average two and a half percent compensation increase and continue the Federal subsidy at approximately the same level as 1986. For costs of educating the enrollment added by the maternal rubella epidemic of 1964-65, $2,595,000 is provided, same as the 1986 post-sequester level. The number of rubella students has remained constant. As a result, the need for Federal funding for this student population is also remaining constant.

Payments to Institutions for the Handicapped

3. Gallaudet College: a) College programs; and b) College programs - rubella epidemic

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1987 Budget Proposal - continued

In 1985, Senate oversight hearings and a General Accounting Office (GAO) report provided some evidence that Gallaudet expenditures per student may be excessive. A forthcominng GAO report will address this issue in more detail, comparing Gallaudet to NTID and to the four regional programs which receive a substantially lower level of Federal funding. Building on these reports, the Department will conduct an analysis to aid Gallaudet in determining means of controlling expenditutes and increasing non-Federal revenues, without harming the quality or availability of their programs. This analysis is part of the Department's long-term plan to help Gallaudet reduce its dependence on Federal funds, given the need to reduce the Federal deficit.

Impact Data	1985	1986 after Sequestering	1987
Cost of attendance:			
Tuition	$1,684	$2,034	$2,384
Room	1,340	1,400	1,470
Board	1,506	1,546	1,626
Fees	120	120	120
Total	4,650	5,100	5,600
Direct Federal Subsidy:			
Percentage of ED support	74%	74%	73%
Student population:			
Total undergraduate enrollment	(1,677)	(1,748)	(1,750)
Regular (base)	1,339	1,358	1,360
Rubella epidemic	338	390	390
Total graduate enrollment	368	380	350
Student/faculty ratio	8.5:1	9.0:1	9.0:1
Outreach:			
Number of new deafness related materials printed and distributed	246,900	186,400	186,400
Total number of public services participants	40,300	40,300	42,000
Personnel:			
Faculty	252	252	252
Staff	770	739	739
Total	1,022	991	991

3. Gallaudet College: c) Endowment
(Proposed legislation)

1987 Authorization: To be determined

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1987	Increase or Decrease
---	---	$1,000,000	+$1,000,000

Purpose and Method of Operation

This is a new matching endowment grant program designed to assist in meeting future needs of Gallaudet and reduce long-term Federal funding requirements. Under the proposed legislation, Gallaudet would receive part of its annual appropriation as an endowment grant. It would receive these funds as it matches the grant through non-Federal contributions. The resulting endowment fund would then generate income from low-risk investments which could be used to support College operations and construction. Up to 50 percent of the income earned each year could be withdrawn for expenditures. Additional grants and concomitant matching contributions would cause the resulting income to grow larger over time. This proposal is patterned after the Howard University Endowment Act.

1987 Budget Proposal

The 1987 budget request includes $1,000,000 proposed for a new endowment grant program which would require non-Federal matching contributions. The endowment grant has the advantage over the existing direct appropriation in that it would stimulate contributions from non-Federal sources. Because of the matching, potential contributors would have a stronger incentive to donate money to Gallaudet.

There would also be an incentive for Gallaudet to obtain non-Federal funds to support its per student expenditures, which appear high compared to other postsecondary schools for the deaf. As noted earlier, Gallaudet is now substantially expanding its activities. Given the need to reduce the deficit, this expansion must be funded by non-Federal sources. The endowment grant will help reduce Gallaudet's dependence on direct Federal appropriatons.

Payments to Institutions for the Handicapped

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3. Gallaudet College: d) Model Secondary School for the Deaf
(80 Stat. 1027)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$12,846,000	$12,294,000	$12,200,000	$12,200,000	---

Purpose and Method of Operation

The Model Secondary School for the Deaf (MSSD) provides a secondary education to deaf students from the District of Columbia, the surrounding five States and other States based on need and available space. Currently, in 1986, students from 40 States and 1 territory are enrolled. MSSD serves as a national laboratory for educational experimentation and development; conducts research to develop effective educational techniques that can be used in a variety of instructional settings; disseminates and evaluates working models throughout the field of education of deaf persons to programs serving deaf students and educational professionals; prepares deaf adolescents for postsecondary academic and/or vocational pursuits and provides deaf adolescents with the skills to become well adjusted, contributing and effective members of society. MSSD conducts its programs in a facility located on the Gallaudet College campus.

MSSD is current funded through direct appropriations.

Accomplishments

During the prior year, through its programs of instruction, research and outreach, MSSD has worked intensively with teachers and professionals throughout the United States through formal workshop and training sessions, curriculum guides and direct educational support. Further, MSSD has provided 185 days of instruction and supportive services to all students; educated 390 students; provided counseling and support to 390 student families; and provided 137,000 pieces of deafness-related materials to persons interested in the model programs at both MSSD and KDES.

Payments to Institutions for the Handicapped

3. Gallaudet College: d) Model Secondary School for the Deaf

1987 Budget Proposal

The request of $12,200,000 is the same as the 1986 funding level. Funding at this level is more than adequate to cover the proposed compensation increase of two and a half percent, because for the past three fiscal years, enrollment levels at MSSD have not reached the original planned enrollment of 425. As of February 2, 1986 enrollment at MSSD was 382, eight students short of the projected 390 for 1986.

This funding level will not require any qualified student to be denied admission. MSSD will maintain the same number of instructional days as in prior years and will not reduce program quality.

At the present time MSSD receives 100 percent of its funding from the Federal Government. Due to the need to reduce Federal spending, so as to decrease the deficit, the Department intends to begin exploring ways in which MSSD can reduce its dependence on Federal appropriations without harming the quality or availability of its programs.

Impact Data	1985	1986 after Sequestering	1987
Total enrollment............	387	390	400
Number of school days........	185	185	185
Number of student families served by programs.........	387	390	400
Faculty.....................	130	78	78
Staff.......................	51	103	103

Payments to Institutions for the Handicapped

3. Gallaudet College. c) Kendall Demonstration Elementary School (Public Law 91-587)

1987 Authorization: Indefinite

Budget Authority:

1986 Appropriation	1986 Available after Sequestering	1986 Revised Estimate	1987	Increase or Decrease
$7,097,000	$6,792,000	$6,690,000	$6,690,000	---

Purpose and Method of Operation

The Kendall Demonstration Elementary School (KDES) operates as a national model elementary school for deaf children. Its purpose is to provide an exemplary educational program for hearing-impaired children who reside in the greater Washington Metropolitan Area. Its instructional program provides learning activities and on-site instruction for children from infancy through age 15. The supportive programs provide services to students' families and instructional personnel in the areas of educational technology, social service, family education, speech, audiology, psychology, student counseling, educational assessment, occupational therapy, medical services, research, evaluation and dissemination. Much like MSSD, its chief responsibility is to develop effective educational techniques and to work with teachers and deafness-related professionals to implement and evaluate those techniques. Its programs are conducted in a facility on the Gallaudet College campus.

KDES is current funded through direct appropriations.

Accomplishments

During the prior year, through its programs of instruction, research and outreach, KDES has worked intensively with teachers and professionals throughout the United States through formal workshops and training sessions, curriculum guides and direct educational support. In addition to its demonstration activities, KDES has provided 205 days of instruction and supportive services to all students; educated 203 deaf students; and provided general workshops for 150 families and sign language programs for 100 student families.

Payments to Institutions for the Handicapped

3. Gallaudet College: e) Kendall Demonstration Elementary School

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1987 Budget Proposal

The 1987 request of $6,690,000 is the same as the 1986 amount for this activity. This level of funding provides adequate support for program operations, will not require any qualified student to be denied admission, will maintain the same number of instructional days as in prior years and will not reduce program quality. Through cost reduction in general institutional support for less essential expenditures, KDES can provide a proposed compensation increase of two and a half percent.

At the present time, KDES receives 100 percent of its funding from the Federal Government. Due to the need to reduce Federal spending, so as to decrease the deficit, the Department intends to begin exploring ways in which KDES can reduce its dependence on Federal appropriations without harming the quality or availability of its programs.

Impact Data	1985	1986 after Sequestering	1987
Total enrollment..............	200	203	203
Number of school days........	205	205	205
Number of student families served......................	200	203	203
Faculty.......................	63	45	45
Staff.........................	44	62	62

Payments to Institutions for the Handicapped

SUPPLEMENTAL FACT SHEET

Analysis of Changes for Gallaudet College

1986 Estimate..	$62,000,000
1986 Sequester order..	-2,665,000
1986 Proposed rescission....................................	-446,000
Total estimated budget authority.......................	58,889,000
1987 Request..	60,737,000
Net change................................	+1,848,000

	1985 base	Change from base
Increases:		
Program:		
1. Faculty and staff compensation (for the college, MSSD and KDES)...	$46,480,000	+$1,088,000
2. Endowment..........................	---	+1,000,000
Subtotal.................		+2,088,000
Decreases:		
Program:		
1. Model Secondary School for the Deaf-operations:		
a. General institutional support...	1,556,000	-152,000
2. Kendall Demonstration Elementary School-operations:		
a. General institutional support...	1,129,000	-88,000
Subtotal.................		-240,000
Net change...............		+1,848,000

Payments to Institutions for the Handicapped

SUPPLEMENTAL FACT SHEET

Gallaudet College

The total percentage of the operating budget provided by the annual appropriation for the College, the Model Secondary School for the Deaf and the Kendall Demonstration Elementary School is as follows:

1985	1986	1987
83%	82%	81%

Average staff salary by equal employment opportunity (EEO) class as of fiscal year 1986:

EEO Class	Number in Class	Average Salary
Executive/Administrative/Managerial	80	$46,712
Professional Non-Faculty	334	29,102
Secretarial/Clerical	106	20,381
Technical/Paraprofessional	125	19,825
Skilled Craft	74	24,065
Service/Maintenance	164	17,532

Average faculty salary by rank as of fiscal year 1986:

Rank	Number in Rank	Average Salary
Professor	63	$46,712
Associate Professor	75	36,915
Assistant Professor	61	28,349
Instructor	38	21,726
Pre-College Faculty	123	28,947

National direct student loan (NDSL) default rate:

Year	Gallaudet College	National Average
1981	5.4%	11.09%
1982	5.76%	10.49%
1983	1.5%	14.82%
1984	2.98%	8.96%
1985	2.2%	Not Available

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DEPARTMENT OF EDUCATION

Appropriations for which the Fiscal Year 1987 Budget Requests Funds to be Available for More Than One Fiscal Year

Appropriation	Program	Period of Availability	Authority
Compensatory Education for the Disadvantaged	Grants for the disadvantaged: Grants to LEAs; State agency programs; State administration	July 1, 1987 - September 30, 1988	Education Consolidation and Improvement Act of 1981, Chapter 1
	Grants for the disadvantaged: Evaluation and technical assistance	October 1, 1986, or immediately upon enactment of FY 1987 appropriation - September 30, 1988 1/	Education Consolidation and Improvement Act of 1981, Chapter 1
Impact Aid	Disaster assistance	Until expended 2/	Public Law 81-874, School Assistance in Federally Affected Areas, Section 7; Public Law 81-815, Section 16
Special Programs	Improving school programs: State block grants	July 1, 1987 - September 30, 1988	Education Consolidation and Improvement Act of 1981, Chapter 2, subchapters A, B, and C
Education for the Handicapped	State grants: State grant program: Preschool incentive grants	July 1, 1987 - September 30, 1988	Education of the Handicapped Act, Section B-611 and 619

DEPARTMENT OF EDUCATION

Appropriations for which the Fiscal Year 1987 Budget Requests Funds to be Available for More Than One Fiscal Year

Appropriation	Program	Period of Availability	Authority
Vocational and Adult Education	Vocational education - State programs: Basic grants; Consumer and homemaker education; State councils	July 1, 1987 - September 30, 1988	Carl D. Perkins Vocational Education Act, Title II; Title III-B; and Section 112
	Adult education grants to States	July 1, 1987 - September 30, 1988	Adult Education Act, Section 304
Student Financial Assistance	Pell grants	October 1, 1986 - September 30, 1988	Higher Education Act, Part A, Subpart I
	Direct loans - Teacher Cancellations	October 1, 1986 - September 30, 1988	Higher Education Act, Title IV-E
Guaranteed Student Loans	Guaranteed student loan program: Insurance costs: Reinsurance costs; Interest subsidies	Until expended	Higher Education Act, Title IV-B
Higher Education	Endowment grant program	Until expended 3/	Higher Education Act, Title III, Section 333
	Interest subsidy grants	Until expended	Higher Education Act, Title VII-C, Section 734

DEPARTMENT OF EDUCATION

Appropriations for which the Fiscal Year 1986 Budget Requests Funds to be Available for More Than One Fiscal Year

Appropriation	Program	Period of Availability	Authority
Higher Education Facilities Loans and Insurance	Higher education facilities loans and insurance	Until expended	Higher Education Act, Title VII-C; Participation Sales Act of 1966; HEW Appropriation Acts of 1967 and 1968
Howard University	Howard University endowment grant	Until expended	Public Law 98-480, Library Services and Construction Act Amendments, Title II, Section 203

1/ The Department is requesting that funds for evaluation and technical assistance become available October 1, 1986 rather than July 1, 1986. This provision would enable the Department to begin the evaluations of the State agency programs sooner in the fiscal year.

2/ This FY 1987 proposal would allow disaster assistance funds to remain available beyond the year of appropriation. Given the great fluctuation year to year in disaster claims, this provision will make it easier to meet applicant needs in years of increased claims. Extended availability was provided for the first time in the 1985 appropriation act.

3/ Endowment grant funds would be available until expended in order to ensure that such funds do not lapse in the event that eligible institutions are unable to match their Federal grants within a one-year period.

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DEPARTMENT OF EDUCATION

Education Activities Requiring New or Modified Legislation
for the Fiscal Year 1987 Budget Request

I. Requests in the 1987 Budget for which legislative authority has expired or is due to expire on September 30, 1986

	Fiscal Year 1987 Estimate
Higher Education Act of 1965 (Pub. L. 89-329, as amended)	
Pell grants Title IV-A	$3,250,000,000
Guaranteed student loans Title IV-B	2,329,586,000
Campus based aid --Work-study (Title IV-C) --Supplemental educational opportunity grants (Title IV-A-2)	400,000,000*
Income contingent loans —Federal capital contributions (Title IV-E)	137,568,000*
Aid for institutional development (HEA III)	
Development grants —Strengthening institutions (Part A) —Institutions with special needs (Part B)	90,988,000*
Endowment grants (Part C)	50,000,000*
Challenge grants (Part C)	220,000
Aid for disadvantaged students:	
Postsecondary outreach —Special programs outreach (Title IV-A-4) --High school equivalency program (Title IV-A-5)	42,470,000*
Special college services —Special services in college (Title IV-A-4) --College assistance migrant program (Title IV-A-5)	39,900,000*
Fund for the improvement of postsecondary education Title X	10,000,000
Institutions science improvement	5,000,000

*Proposed legislation is new and replaces expiring authorizations.

	Fiscal Year 1987 Estimate
Rehabilitation Act of 1973 (Pub. L. 93-112, as amended; Pub. L. 98-221)	
Innovation and expansion grants Section 121	$9,000,000
Client assistance program Section 112	6,300,000
National institute of handicapped research Section 202	39,000,000
Severely disabled demonstration programs Section 311	14,635,000
Migratory worker projects Section 312	950,000
Service grants to indian tribes Section 130	715,000
Projects with industry Section 621	13,000,000
Independent living centers Section 711	22,000,000
Training Section 304	15,000,000
Helen Keller Center Section 201	4,200,000
Education of the Handicapped Act [1/] (Pub. L. 91-230, as amended)	
Preschool incentive grants Section 619	31,000,000
Deaf-blind centers Sections 621 and 624	9,000,000
Severely handicapped projects Section 624	4,300,000
Early childhood education Section 623 and 624	22,500,000
Secondary and transitional services Section 624 and 626	6,330,000

[1/] The one-year extension of authorization provided by section 414 of the General Education Provisions Act applies to the programs authorized by this Act for FY 1987.

	Fiscal Year 1987 Estimate
Postsecondary programs Sections 624 and 625	$5,300,000
Innovation and development Part E	16,000,000
Media services and captioned films Part F	16,500,000
Special services Section 618	2,000,000
Special education personnel development Section 631 and 632	48,000,000
Recruitment and information Section 633	1,025,000
Regional resource centers Section 621 and 624	6,000,000

II. Requests in the 1987 budget for which new authorizing legislation is required; i.e., no authorizing legislation currently exists

None in FY 1987.

III. Requests in the 1987 budget for which modifications or substitutions to the existing unexpiring legislation are proposed

	Fiscal Year 1987 Estimate
Elementary and Secondary Education	
Compensatory Education for the Disadvantaged, Chapter 1 (ECIA):	
Grants to local educational agencies	$3,261,005,000
State agency migrant program	202,519,000

Proposed amendments would allow the Department to use the most recent available census data and eliminate the requirement that the Department use obsolete survey Income and Education data in determining the Chapter 1 formula allocation. Amendments would also target resources more effectively on the migrant children who have moved in the past two years and eliminate the minimum authorization for migrant education coordination activities. These amendments are currently pending before the Congress and are proposed again in special appropriations language.

	Fiscal Year 1987 Estimate
Special Programs, Chapter 2 (ECIA); State block grants Secretary's discretionary fund	$678,909,000

Proposed amendments would give States more flexibility in allocating block grant funds to local educational agencies and permit States to apply for a waiver to the supplement not supplant requirements. In addition, the amendments would give the Department more flexibility in using the Secretary's discretionary funds.

Impact Aid	548,000,000

Proposed amendments primarily would target resources on "a" children in the most heavily affected districts, improve the efficiency of administrative and programmatic practices and increase the threshold of eligibility for disaster claims to $10,000 or 5 percent of the district's preceding year's current expenditures. Amendments would terminate payments for "b" children.

Teacher Training and Improvement	75,000,000

Proposed amendments would restructure the current Science and Mathematics Education program to support the improvement of teaching and administration in all disciplines in public and private elementary and secondary schools.

Bilingual Education	142,951,000

Proposed amendments remove the 4 percent cap on use of funds for special alternative instructional programs and simplify program administration.

Chapter 1 Vouchers	—

Legislation is again proposed to give local educational agencies the option of providing compensatory education services through a voucher mechanism.

Tuition Tax Credits	—

Legislation will be resubmitted to permit parents of private school children to receive tuition tax credits.

Education Savings Accounts	—

Legislation is again proposed to provide a tax-incentive measure to encourage low- and middle-income families to save for their children's postsecondary education.

	Fiscal Year 1987 Estimate
Other	
Special Institutions	$97,627,000
Gallaudet College	41,847,000
National Technical Institute for the Deaf	31,380,000

Proposed amendments would establish endowments for Gallaudet College and the National Technical Institute for the Deaf and abolish the $250,000 trust fund and the $10,000 permanent appropriation for the American Printing House for the Blind.

Education Research Amendments	70,231,000

Proposed amendments would allow the Department to continue its research and improvement activities. The proposal includes some needed changes, maintains important features of current law, and reflects the reorganization of ED's Office of Education Research and Improvement which occured last fall.

DEPARTMENT OF EDUCATION

Budgeted Employment, Fiscal Years 1986 and 1987

Appropriation	FY 1986[1/]			FY 1987		
	FTP	Other	Total	FTP	Other	Total
Salaries and Expenses:						
Postsecondary Education	1,000	21	1,021	1,016	19	1,035
Other Education Programs	1,141	23	1,164	1,167	21	1,188
Civil Rights	847	13	860	827	13	840
Inspector General	276	3	279	298	2	300
Executive Direction	1,095	54	1,149	1,037	51	1,088
Subtotal, S&E	4,359	114	4,473	4,345	106	4,451
Indian Education Program Administration	48	0	48	48	1	49
TOTAL	4,407	114	4,521	4,393	107	4,500

Note: FTP means full-time permanent

1/ Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

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DEPARTMENT OF EDUCATION

Appropriations and Reserves, Fiscal Year 1986
(As of December 31, 1985)

Appropriation Title	1986 Appropriation	Formal Reserves: Savings	Formal Reserves: For Obligation in Subsequent Years	Other Reserves 1/	Explanation
Compensatory Education for the Disadvantaged................	$ 12,197,000			$ 7,177,000	Withheld pending Rescission 86-18.
Special Progams................	674,789,000			37,782,000	Withheld pending Rescission 86-19.
Bilingual Education...........	165,521,000			160,000 28,710,000	Unavailable pursuant to P.L. 99-190. Withheld pending Rescission 86-20.
Education for the Handicapped..	1,350,336,000			212,000 44,364,000	Unavailable pursuant to P.L. 99-190. Withheld pending Rescission 86-21.
Rehabilitation Services and Handicapped Research.........	1,309,761,000			200,000 75,439,000	Unavailible pursuant to P.L. 99-190. Withheld pending Rescission 86-22.
Vocational and Adult Education.	907,165,159			210,337,000	Withheld pending Rescission 86-24.
Student Financial Assistance...	4,676,859,000			456,347,000	Withheld pending Rescission 86-25.
Higher Education..............	435,663,000			180,882,000	Withheld pending Rescission 86-26.

DEPARTMENT OF EDUCATION

Appropriations and Reserves, Fiscal Year 1986
(As of December 31, 1985)

Appropriation Title	1985 Appropriation	Formal Reserves			Explanation
		Savings	For Obligation In Subsequent Years	Other Reserves	
Libraries......................	$ 122,017,000			$ 33,017,000	Withheld pending Rescission 86-28.
Gallaudet College..............	59,335,000			446,000	Withheld pending Rescission 86-23.
Howard University..............	157,168,000			5,699,000	Withheld pending Rescission 86-27.
Office for Civil Rights........	44,580,000			945,000	Unavailable pursuant to P.L. 99-190.
Total.............	9,915,391,159			1,081,717,000	

1/ The reserves being held pending rescissions (86-18 through 86-28) are currently estimated to be released or rescinded by April 15, 1986.

DEPARTMENT OF EDUCATION

Fiscal Year 1986 Obligations as of December 31, 1985
(Non-Comparable)

Appropriation	Available for Obligation 1/	Available for Obligation Less Reserve	Obligated as of 12/31/85	Unobligated Balance as of 12/31/85
Compensatory Education for the Disadvantaged 3/	$3,540,846,580	$3,533,669,580 4/	$183,263	$3,540,663,317
School Assistance in Federally Affected Areas	694,468,888	2/	287,687,111	406,781,777
Special Programs 3/	675,662,802	637,880,802 5/	180,000	675,482,802
Science and Math Education	6,053,366	2/	0	6,053,366
Excellence in Education	5,000,000	2/	0	5,000,000
Indian Education	67,071,000	2/	541,258	66,529,742
Bilingual Education	167,533,738	138,663,738 6/	209,442	167,324,296
Education for the Handicapped 3/	1,472,359,175	1,427,783,175 7/	4,561,020	1,467,798,155
Rehabilitation Services and Handicapped Research	1,310,293,000	1,234,654,000 8/	389,612,628	920,680,372
Vocational and Adult Education 3/	1,047,560,310	837,223,310 9/	19,254,880	1,028,305,430
Student Financial Assistance	6,512,129,658	6,055,782,658 10/	671,728,441	5,840,401,217
Guaranteed Student Loans	3,741,411,591	2/	917,176,862	2,824,234,729
Higher Education	484,101,405	303,219,405 11/	6,982,184	477,119,221
Higher Education Facilities Loans and Insurance	42,475,731	2/	8,311,500	34,164,231
College Housing Loans	160,384,522	2/	437,926	159,946,596
Research and Statistics	59,978,000	2/	26,197,384	33,780,616
Libraries	131,476,298	98,459,298 12/	38,844,321	92,631,977
American Printing House for the Blind	5,263,000	2/	1,155,000	4,108,000
National Technical Institute for the Deaf	30,624,000	2/	6,300,000	24,324,000
Gallaudet College	59,335,000	58,889,000 13/	12,327,000	47,008,000
Howard University	157,768,000	152,069,000 14/	31,858,300	125,909,700
Salaries and Expenses	228,972,700	2/	68,551,230	160,421,470
Office for Civil Rights	41,766,300	40,821,300 15/	9,681,376	32,084,924
Office of the Inspector General	15,154,000	2/	3,627,934	11,526,066
Contributions	12,316	2/	11,744	572
TOTAL	20,657,701,380	19,575,984,380	2,505,420,804	18,152,280,576

Department of Education

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Footnotes (Fiscal Year 1986 Obligations as of December 31, 1985) - (continued)

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1/ Includes Budget Authority with post Gramm-Rudman-Hollings (GRH) reductions for fiscal year 1986, available unobligated balances as reported on the Treasury Combined Statement, and earned and estimated income as reflected on the S.F. 133 reports for December. Excludes GRH reductions for Salaries and Expenses since these funds were not apportioned as of 12/31/86.

2/ Same as amount shown in first column, "Available for Obligation".

3/ Includes some funds that are appropriated for fiscal year 1986 but which do not become available for obligation until July 1, 1986.

4/ Reflects proposed rescission of $7,177,000.

5/ Reflects proposed rescissions of $37,782,000; Excellence in Education account merged with Special Programs' no-year account in FY 1986 pursuant to legislation from Congress.

6/ Reflects proposed rescission of $28,710,000 plus withholding of $160,000 not available for obligation under Section 515 of the Treasury-Postal Service Appropriations Act (enacted by reference in P.L. 99-190).

7/ Reflects proposed rescissions of $44,364,000 plus withholding of $212,000 not available for obligation under Section 515 of the Treasury-Postal Service Appropriations Act (enacted by reference in P.L. 99-190).

8/ Reflects proposed rescissions of $75,439,000 plus withholding of $200,000 not available for obligation under section 515 of the Treasury-Postal Service Appropriations Act (enacted by reference in P.L. 99-190).

9/ Reflects proposed rescission of $210,337,000.

10/ Reflects proposed rescission of $456,347,000.

11/ Reflects proposed rescissions of $180,882,000.

12/ Reflects proposed rescissions of $33,017,000.

13/ Reflects proposed rescission of $446,000.

14/ Reflects proposed rescissions of $5,699,000.

15/ Reflects withholdings of $945,000 not available for obligation under section 515 Treasury-Postal Service Appropriations Act (enacted by reference in P.L. 99-190).

DEPARTMENT OF EDUCATION

Entertainment Fund
Authorization for Fiscal Year 1986 and
Amount Expended for October 1 - December 31, 1985

Authorized for fiscal year - $7,500

Expended first quarter of fiscal year - $1,786

DEPARTMENT OF EDUCATION

Entertainment Fund Authorization for Fiscal Year 1985 and Amount Expended

	Authorized for FY 1985	Expended in FY 1985	FY 1986 Budget Request
Secretary of Education	$7,500	$7,042	$7,500

DEPARTMENT OF EDUCATION

New Programs in the 1987 Budget

Program	FY 1987 Estimate
Special Programs:	
Teacher training and improvement	$75,000,000
National Technical Institute for the Deaf:	
Endowment	1,000,000
Gallaudet College:	
Endowment	1,000,000
Vocational and Adult Education:	
Adult education research, development and evaluation	2,000,000
Student Financial Assistance:	
Campus-based aid work/grants	400,000,000
Income-contingent loans	137,568,000
Higher Education:	
Institutional development grants	90,988,000
Postsecondary outreach	42,470,000
Special college services	39,900,000
TOTAL	789,926,000

DEPARTMENT OF EDUCATION

Analysis of Unobligated Carryover Balances
Fiscal Years 1986 and 1987

Appropriation	Balance End of 1986	Balance End of 1987	Explanation
Payments to Institutions for the Handicapped	—	$60,000	Budget reflects projected unmet matching for endowment grants at the National Technical Institute for the Deaf (NTID) and Gallaudet College. This reflects proposed legislation.
Student Financial Assistance........	$1,435,200,000	1,200,000,000	Funds appropriated for these activities are available for a two-year period. Balances are obligated during the following year. 1987 amount reflects proposed legislation.
Guaranteed Student Loans.............	61,545,000	—	Amount represents funds which will be obligated the following year under proposed legislation.
Higher Education....	21,904,000	46,139,000	Amounts represent funds which will be obligated in subsequent years under the Endowment Program.
Higher Education Facilities Loans and Insurance.....	5,923,000	6,211,000	Amounts represent the fund balance which is obligated in subsequent years.
College Housing Loans:			
Unrestricted......	20,680,000	92,435,000	Amounts represent difference between estimated payments to the Treasury and income earned through repayment and interest to be used in subsequent years.
Restricted.......	2,850,000	—	

DEPARTMENT OF EDUCATION

Obligated but Unexpended Balances, End of Year

Appropriation Title	1985 Actual	1986 Estimate	1987 Estimate
Regular Appropriation Request:			
General and Special Funds:			
Compensatory Education for the Disadvantaged	$3,808,439,000	$4,548,996,000	$4,578,985,000
Impact Aid	346,981,000	313,775,000	246,145,000
Special Programs	739,385,000	820,285,000	761,493,000
Indian Education	31,768,000	41,489,000	5,314,000
Bilingual Education	120,931,000	183,344,000	181,940,000
Immigrant Education	44,630,000	46,130,000	16,273,000
Education for the Handicapped	1,884,794,000	1,826,087,000	1,791,946,000
Rehabilitation Services and Handicapped Research	591,562,000	452,666,000	459,562,000
Payments to Institutions for the Handicapped	32,047,000	3,721,000	3,584,000
Vocational and Adult Education	1,369,108,000	1,464,327,000	985,463,000
Student Financial Assistance	3,109,083,000	2,960,879,000	763,000,000
Guaranteed Student Loans	529,551,000	660,000,000	692,050,000
Higher Education	535,824,000	544,687,000	167,296,000
Howard University	62,342,000	38,341,000	37,779,000
Higher Education Facilities Loans and Insurance	20,447,000	20,447,000	20,447,000
College Housing Loans (fund balances)	87,055,000	52,885,000	—
Educational Research and Improvement	39,744,000	33,744,000	37,877,000
Libraries	164,404,000	167,524,000	70,194,000
Salaries and Expenses	63,250,000	79,959,000	83,378,000
Education and Research Overseas	2,954,000	265,000	—

Obligated but Unexpended Balances, End of Year
(continued)

Appropriation Title	1985 Actual	1986 Estimate	1987 Estimate
Regular Appropriation Request: (continued)			
Trust Funds:			
Promotion of Education for the Blind	$10,000	$10,000	$10,000
Contributions	26,000	—	—
Subtotal, Regular Request	13,584,335,000	14,259,561,000	10,902,736,000
Sequester:			
Compensatory Education	—	-150,939,000	-33,376,000
Impact Aid	—	-6,500,000	-1,908,000
Special Programs	—	-27,846,000	-4,382,000
Indian Education	—	-1,618,000	-116,000
Bilingual Education	—	-5,900,000	-1,524,000
Immigrant Education	—	-1,290,000	-632,000
Education for the Handicapped	—	-57,777,000	-13,704,000
Rehabilitation Services and Handicapped Research	—	-12,015,000	-3,657,000
Special Institutions	—	-159,000	—
Vocational Education	—	-39,945,000	-12,228,000
Student Fianancial Assistance	—	-171,307,000	-37,022,000
Guaranteed Student Loans	—	-24,506,000	—
Higher Education	—	-16,029,000	-3,803,000
Howard University	—	-279,000	—
Higher Education Facilities Loans and Insurance	—	-1,000	—
College Housing Loans	—	-2,586,000	—

Obligated but Unexpended Balances, End of Year
(continued)

Appropriation Title	1985 Actual	1986 Estimate	1987 Estimate
Sequester: (continued)			
Education Research and Statistics	—	-$1,134,000	-$103,000
Libraries	—	-4,150,000	-1,816,000
Salaries and Expenses		-2,082,000	-612,000
Subtotal, Sequester	—	-526,063,000	-114,883,000
Supplementals Now Requested:			
College Housing Loans	—	-50,299,000	—
Rescissions Now Requested:			
Compensatory Education	—	-6,172,000	-1,578,000
Special Programs	—	-35,612,000	-8,106,000
Bilingual Education	—	-28,710,000	-14,068,000
Education for the Handicapped	—	-40,600,000	-8,700,000
Rehabilitation Services and Handicapped Research	—	-17,353,000	-5,281,000
Payments to Institutions for the Handicapped	—	-27,000	—
Vocational Education	—	-206,130,000	-63,101,000
Student Financial Assistance	—	-381,620,000	-46,035,000
Higher Education	—	-160,113,000	-38,470,000
Howard University	—	-191,000	—
Libraries	—	-29,227,000	-9,272,000
Subtotal, Rescissions Requested	—	-905,755,000	-194,611,000

Obligated but Unexpended Balances, End of Year
(continued)

Appropriation Title	1985 Actual	1986 Estimate	1987 Estimate
Proposed Legislation, Proposed for Later Transmittal:			
Special Programs	—	—	$66,750,000
Indian Education	—	—	42,519,000
Promotion of Education for the Blind	—	—	-10,000
Student Financial Assistance	—	—	1,491,811,000
Guaranteed Student Loans	—	-$12,309,000	-210,739,000
Higher Education	—	—	180,766,000
Subtotal, Proposed Legislation	—	-12,309,000	1,571,097,000
Supplemental Proposed for Later Transmittal:			
Guaranteed Student Loans	—	13,009,000	—
Contingently Obligated Under Court Order:			
Compensatory Education for the Disadvantaged	$712,000	—	—
Impact Aid	1,250,000		
Special Programs	29,466,000	—	—
Indian Education	1,821,000	—	—
Bilingual Education	16,804,000	—	—
Education for the Handicapped	3,259,000	—	—
Rehabilitation Services and Handicapped Research	5,451,000	—	—
Vocational Education	139,000	—	—
Student Financial Assistance	11,529,000	—	—
Higher Education	8,226,000	—	—

Obligated but Unexpended Balances, End of Year
(continued)

Appropriation Title	1985 Actual	1986 Estimate	1987 Estimate
Contingently Obligated Under Court Order: (continued)			
Education Research and Improvement	$1,445,000	---	---
Libraries	247,000	---	---
Salaries and Expenses	18,475,000	---	---
Subtotal, Contingently Obligated	98,824,000	---	---
TOTAL, Department of Education Obligated but Unexpended Balances	13,683,159,000	$12,778,144,000	$12,164,339,000

Source: Budget of the United States Government - Appendix, Fiscal Year 1987.

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DEPARTMENT OF EDUCATION

Fiscal Year 1987 Legislative Program

ELEMENTARY AND SECONDARY EDUCATION

Education Consolidation and Improvement Act (ECIA)

The Department will continue to seek enactment of ECIA amendments submitted to Congress in 1985.

o Chapter 1

The amendments affecting Chapter 1 would:

(1) Focus coverage of the Chapter 1 Migrant Program by changing from five years to two years the time a formerly migrant child can be considered migratory for purposes of allocating funds and receiving services.

(2) Eliminate the $6,000,000 minimum set-aside for Migrant Education coordination activities while continuing the five percent ceiling as the maximum set-aside. The change would give the Department flexibility to choose whether to place more emphasis on assisting States in providing direct services or on coordination activities.

(3) Eliminate required use of 1975 Survey of Income and Education (SIE) data in making allocations under Chapter 1 Grants to local educational agencies. Deletion of this requirement would eliminate the need to adjust more recent 1980 Census data to account for obsolete SIE data.

(4) Delete references to use of the criteria for poverty associated with the 1970 Census for allocating Chapter 1 funds to enable the Department to use instead the criteria for poverty from the most recent decennial census.

o Chapter 2

—State Block Grants

The Chapter 2 amendments would give the Secretary authority to waive the "supplement/not supplant" requirement under certain circumstances. The Administration has encouraged States in their efforts to pass new laws that promote major reforms and establish higher standards for State elementary and secondary schools. Although the Chapter 2 block grant is an ideal source of Federal money to help States and local school districts achieve these reforms, the "supplement/not supplant" requirement prohibits LEAs from using Chapter 2 funds to meet State-mandated standards. The proposed amendment would allow use of Chapter 2 funds for State-mandated improvement activities during a three-year waiver period.

The second Chapter 2 block grant amendment would change the requirement that States distribute funds to local educational agencies on the basis of total numbers of public and private school enrollments in the State. The amendment would allow the States to use total enrollment in public schools and either (a) total enrollment in private schools or (b) total enrollment in private schools desiring to participate in the program. This would resolve a problem faced by States which have been unable to obtain enrollment counts from private schools uninterested in taking part in the program.

--Secretary's Discretionary fund

The Chapter 2 amendments would also eliminate the minimum funding levels required by statute for the Inexpensive Book Distribution, Arts in Education, Alcohol and Drug Abuse Education, and Law-Related Education programs. The amendment would provide greater flexibility for the Secretary to focus resources on unmet national needs and to respond in a timely manner to issues identified by research and commissions investigating educational reform.

Impact Aid

A number of legislative changes are proposed to target resources on "a" children in the most heavily affected districts, improve the efficiency of administrative and programmatic practices, and increase the threshold of eligibility for disaster claims to $10,000 or five percent of the district's preceding year's current expenditures. The authorization for payments for "b" children would be repealed.

Bilingual Education

The Department is seeking enactment of amendments to remove the four percent funding cap for Special Alternative Instructional Programs and the requirement that 75 percent of Part A funding go to Transitional Bilingual Education.

Teacher Training and Improvement

The Department is seeking enactment of legislation to broaden and improve the existing Science and Mathematics education program. The expanded program would provide opportunities for in-service education of teachers and administrators in order to improve their subject matter competence and teaching and administrative skills; provide recognition for excellent performance by teachers and administrators; attract qualified persons from other professions into teaching; encourage outstanding teachers and administrators to remain in the profession; and improve the preservice education of America's teachers and administrators.

Chapter 1 Vouchers

The Administration has proposed the Equity and Choice Act of 1985 (TEACH) in order to increase educational opportunities for disadvantaged students by expanding the range of choices available to them under Chapter 1. Parents of educationally disadvantaged children selected to participate in Chapter 1 programs would be permitted to obtain vouchers that could be used to pay for tuition or compensatory education services in public or private schools.

Tuition Tax Credits

The Administration will resubmit legislation to permit parents of private school children to receive tuition tax credits for up to 50 percent of tuition and required course fees. The maximum credit would be phased-in over a three year period—growing from $100 to $200 to $300. The full credit would be provided only to families with adjusted gross incomes of up to $40,000 and the credit would phase out at $60,000.

POSTSECONDARY EDUCATION

Higher Education Act of 1965

The Department is proposing a reauthorization of the Higher Education Act. A brief outline of the major proposals follows.

o Institutional Aid

--Aid for Institutional Development (Title III)

The Department proposes to refocus and modify significantly the program objectives of Title III. The proposed changes to Title III reflect a reconceptualized program objective—to help eligible institutions develop solid financial bases so they would no longer need annual Title III assistance to survive. The criteria for determining program eligibility would be changed to permit better targeting of program funds to institutions which serve substantial percentages of disadvantaged students, and which lack the financial bases necessary to continue providing such services.

—Aid to Disadvantaged Students (Title IV)

The Department proposes to modify five similar outreach authorities—Upward Bound, Talent Search, Educational Opportunity Centers, the Migrant High School Equivalency Program and the unfunded Education Outreach Program. The Federal role of encouraging institutions and agencies to initiate outreach activities and to then continue providing such services with their own financing can be achieved under a streamlined program.

To assist institutions in providing the counseling and support services necessary for disadvantaged college students to complete a postsecondary education, the Department proposes to consolidate the College Assistance Migrant Program and Special Services for Disadvantaged Students authorities. Through a new Special College Services program, institutions would be encouraged to assimilate special academic and support services for poor and disadvantaged students into their own budgets.

Postsecondary Education (continued)

- o Student aid reforms (Title IV)

  The amendments would modify current law and reform the Federal role in financing postsecondary education costs and reduce widely recognized program abuse. Reforms would include:

  --Development of a single, simplified family need analysis system to apply to all Department student aid programs.

  --Narrowing of the "independent student" definition to exclude students below the age of 23 with the exception of orphans or wards of the court or students who can demonstrate self-sufficiency for 2 years prior to application. The current three question criteria would be applied (regardless of student age) to the award year and the two years prior to the award year.

  --Requiring an $800 minimum self-help expectation in determining eligibility.

  --Standardizing across all aid programs the student living allowances for room, board, books, supplies and transportation expenses.

  --Requiring a high school diploma or its equivalent in order to receive student assistance.

  --Limiting undergraduate eligibility to four academic years, plus a fifth year for five-year academic programs and in exceptional circumstances.

- o Income Contingent Loans

  The proposal would restructure the National Direct Student Loan Program to incorporate an income-contingent repayment plan. The restructuring would make student loan repayment burden manageable, flexible, and of as long a duration as needed to accomodate individual post-school incomes. Institutional choice would be enhanced at the undergraduate and graduate levels by authorizing substantially higher loan levels and institutional flexibility in designing individual student aid packages would be maintained.

- o Pell Grants

  Proposed amendments to the Pell Grant program include:

  --Increasing the assessment rates for the assets and discretionary income of parents and independent students from current rates to roughly the levels now used in the Uniform Methodology. The rates would be used in the single need analysis system.

  --Taking into account the family's expected contribution in all award rules and eliminating the inequity that currently allows students with different financial resources attending the same low-cost institution to receive equal awards.

  --Establishing the maximum award amount to be $2,100 and up to 60 percent of educational cost.

- o **Work-study/grant Program**

The Department proposes a consolidation of the current Work-study and Supplemental Grant programs. The consolidation proposes:

--Providing institutions greater flexibility to meet individual student needs by including work and grant activities under one administrative program.

--Emphasizing cost-sharing by institutional participation through elimination of the administrative cost allowance and through phased-in increases in institutional matching requirements reaching 50 percent by 1990.

--Promoting student self-help employment in financing educational costs.

--Providing incentives for institutions to develop and expand Work-study activities devoted to reducing adult illiteracy.

- o **Guaranteed Student Loans**

--Proposals affecting borrowers

The proposals would substantially reduce Federal costs and improve program administration. The need analysis requirement would be extended to all family income levels and eliminate unnecessary borrowing while ensuring that Federal subsidies are available only to the extent that students demonstrate financial need. In addition, the single need analysis system for all Federal student aid programs would improve program integrity and efficiency while helping to restore an appropriate financing role for students and their parents. In addition:

--Eligibility for PLUS loans would be expanded to include all otherwise eligible students and their spouses regardless of the student's educational level.

--Loan limits would be increased to $5,000 annually for each eligible student and $25,000 cumulatively not including regular loan limits.

--The maximum repayment period would be extended from 10 to 15 years and lenders could offer borrowers consolidated loans.

--The borrowers interest rate on regular loans would be reset at the average 91-day Treasury bill rates for the quarter ending March 31 prior to the academic year for which the loan is made. The rate would remain fixed through the second year of repayment at which time a new rate would be negotiated with the lender, subject to a cap of the prevailing 91-day Treasury bill rate plus three percent.

--Interest subsidy payments made on behalf of the borrower during the in-school, grace, and deferment periods would be eliminated. Students would have the option of paying the interest as it accrues, borrowing additional amounts to cover the interest or having the interest capitalized. The five percent loan origination fee paid by borrowers would be eliminated.

--Guarantee fees would be charged for both regular and PLUS loans.

--Proposals affecting lenders

--Lenders would be required to disburse funds at least twice during the award year. Interest benefits and special allowance payments would be based on amounts actually disbursed.

--Lenders would receive a revised fixed (in place of variable) yield equal to the average 91-day Treasury bill for the quarter ending March 31 prior to the award year for which the loan is made plus three percent while loans are in-school and through the second year of repayment. No special allowance would be paid on loans beginning with the third year of repayment.

--Loan insurance would be limited to 90 percent of unpaid interest and principal instead of the current rate of 100 percent.

o Academic Facilities (Title VII)

The Department is proposing to repeal the authority for new grants as well as the authority to enter into new interest subsidy commitments.

o Higher Education Facilities Loans and Insurance (Title VII)

The Department is proposing to repeal the authority to make new loans--retaining only the statutory provisions needed to administer existing loans.

o College Housing Loans (Title IV, Housing Act)

The Department is proposing to repeal the authority for new loans, and to transfer to the Higher Education account the statutory provisions needed to administer existing loans.

o Institutions Science Improvement Program

The Department is proposing a new Institutions Science Improvement Program for Disadvantaged Students which would promote quality in science education at institutions serving significant numbers of financially disadvantaged students. The program would replace the Minority Institutions Science Improvement Program.

OTHER

Rehabilitation Act reauthorization

The Department is proposing a five year reauthorization of the Act. Major provisions of the proposal include:

--Increasing the State matching requirement from 20 percent to 25 percent.

--Strengthening the requirement for use of similar benefits in all cases except for medical services to those at extreme medical risk.

Other (continued)

--Authorizing the development of supported employment programs under the State plan.

--Requiring that Projects with Industry give priority to on-the-job training, not just to placement assistance.

--Requiring up to two years service in a nonprofit agency for each year of scholarship in the Training program.

--Authorizing only one Independent Living program and requiring a 10 percent non-Federal match.

--Converting the positions of RSA Commissioner and NIHR Director to Secretarial rather than Presidential appointments.

Education Research and Improvement Amendments

The amendments would allow the Department to continue its research and improvement activities. It streamlines the Office of Educational Research and Improvement (OERI) by eliminating an unnecessary layer of Presidential employees below the Assistant Secretary level, renames the National Council on Educational Research and terminates the inactive Federal Council on Educational Research and Development and the Federal Education Data Acquisition Council. The proposal would continue support for research, improvement activities, data collection and information dissemination. Support for the National Assessment of Educational Progress and for the labs and centers would continue to be required. Support for unsolicited proposals and those specifically invited by the Secretary would also be authorized.

Special Institutions Amendments

These amendments would establish $1,000,000 endowments for Gallaudet College and the National Technical Institute for the Deaf. In addition, a bill to abolish the $250,000 trust fund and the $10,000 permanent appropriation for the American Printing House for the Blind was submitted to the Congress last year.

Education Savings Accounts

We are proposing a tax incentive measure to encourage low- and middle-income families to save for their children's education. Families with incomes up to $60,000 would be able to invest up to $1,000 for each child per year in Education Savings Accounts with interest being exempt from Federal income taxes.

DEPARTMENT OF EDUCATION

Appropriation Language Provisions and Earmarks which Modify or Go Beyond Authorizing Legislation
Fiscal Year 1986

The following appropriation accounts have language which modifies or goes beyond authorizing legislation:

- Compensatory Education for the Disadvantaged
- Impact Aid
- Special Programs
- Bilingual Education
- Rehabilitation Services and Handicapped Research
- Vocational and Adult Education
- Student Financial Assistance
- Howard University
- College Housing Loans
- Higher Education Facilities Loans and Insurance
- Salaries and Expenses

Fiscal Year 1987 appropriation language and language analysis for these accounts follow.

COMPENSATORY EDUCATION FOR THE DISADVANTAGED

For carrying out chapter 1 of the Education Consolidation and Improvement Act of 1981, as amended, $3,688,163,000, of which [$5,246,000] $6,246,000 shall be used for purposes of section 555(d) of said Act to provide technical assistance and evaluate programs, and the remaining [$3,682,917,000] $3,681,917,000 shall become available on July 1, [1986] 1987 and remain available until September 30, [1987] 1988: Provided, That of these remaining funds, no funds shall be used for purposes of section 554(a)(1)(B), [$264,524,000] $202,519,000 shall be available for purposes of section 554(a)(2)(A), $150,170,000 shall be available for purposes of section 554(a)(2)(B), $32,616,000 shall be available for purposes of section 554(a)(2)(C), and $35,607,000 shall be available for purposes of section 554(b)(1)(D)[.]: Provided further, That notwithstanding the provisions of section 111(c) of the Elementary and Secondary Education Act, as amended, the criteria of poverty utilized by the Bureau of the Census in the 1980 decennial Census shall be used as the basis for allocating funds under chapter 1 where applicable: Provided further, That notwithstanding the provisions of section 111(a) of the Elementary and Secondary Education Act, as amended, no funds appropriated under chapter 1 shall be allocated on the basis of data taken from the 1975 survey of income and education conducted by the Bureau of the Census: Provided further, That for purposes of section 142(b) of the Elementary and Secondary Education Act, as amended, a migratory child of a migratory agricultural worker or a migratory fisherman shall be deemed to continue to be a migratory child for a period not in excess of three years during which he resides in the area served by the agency carrying on a program or project under section 142(b): Provided further, That notwithstanding the provisions of section 143 of the Elementary and Secondary Education Act, as amended, not more than five per centum of the amount appropriated under section 554(a)(2)(A) of the Education Consolidation and Improvement Act shall be used for coordination of migrant education activities: Provided further, That funds made available to Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Republic of Palau under sections 111(a) and 156 of the Elementary and Secondary Education Act, as amended, shall be available only in amounts that such entities would have received had the Compact of Free Association not been enacted.

[For carrying out section 418A of the Higher Education Act, $7,500,000.] (Department of Education Appropriation Act, 1986.)

Compensatory Education for the Disadvantaged

Language Analysis

Language Provision	Explanation
For carrying out chapter 1 of the Education Consolidation and Improvement Act of 1981, as amended, $3,688,163,000, of which [$5,246,000] $6,246,000 shall be used for purposes of section 555(d) of said Act to provide technical assistance and evaluate programs, and the remaining [$3,682,917,000] $3,681,917,000 shall become available on July 1, [1986] 1987, and remain available until September 30, [1987] 1988:	This language establishes a specific funding level of $6,246,000 for program evaluation and technical assistance under section 555(d) of the Education Consolidation and Improvement Act. It further stipulates that funds appropriated for that activity would become available on October 1, 1986, or immediately upon enactment of the fiscal year 1987 appropriation. Funds for the remaining activities appropriated under Chapter 1 would become available on July 1, 1987, and remain available through September 30, 1988. This language would enable the Department to begin planned studies of the State agency programs early in fiscal year 1987.
Provided, That of these remaining funds, no funds shall be used for purposes of section 554(a)(1)(B), [$264,524,000] $202,519,000 shall be available for purposes of section 554(a)(2)(A), $150,170,000 shall be available for purposes of section 554(a)(2)(B), $32,616,000 shall be available for purposes of section 554(a)(2)(C),	This language prohibits the funding of concentration grants and establishes funding levels for the Chapter 1 State Agency Migrant, Handicapped, and Neglected and Delinquent programs.

Compensatory Education for the Disadvantaged

Language Analysis — Continued

Language Provision	Explanation
and $35,607,000 shall be available for purposes of section 554(b)(1)(D)[.]:	This language establishes a specific funding level for Chapter 1 State Administration. Under this provision, the Department would allocate available funds to each State based on the size of its total Chapter 1 allocation. However, no State would receive less than $225,000. Outlying Areas would each receive a minimum of $50,000.
Provided further, That notwithstanding the provisions of section 111(c) of the Elementary and Secondary Education Act, as amended, the criteria of poverty utilized by the Bureau of the Census in the 1980 decennial Census shall be used as the basis for allocating funds under chapter 1 where applicable:	This language enables the Department to allocate Chapter 1 funds based on poverty criteria used by the Bureau of the Census in compiling the 1980 Census instead of those used in the 1970 Census. Under the existing statute, the Department must use data on the number of low-income families from the 1980 Census in calculating the Chapter 1 formula but must adjust those data to reflect the poverty criteria use in the 1970 Census. The effect of this language would be to provide the Department with more accurate, up-to-date data on which to base the formula allocation.
Provided further, That notwithstanding the provisions of section 111(a) of the Elementary and Secondary Education Act, as amended, no funds appropriated under chapter 1 shall be allocated on the basis of data taken from the 1975 survey of income and education conducted by the Bureau of the Census:	This language would eliminate the requirement in current law to adjust the distribution of available funds so that part of those funds are distributed based on 1975 Survey of Income and Education data which are now obsolete.

Compensatory Education for the Disadvantaged

Language Analysis — Continued

Language Provision	Explanation
Provided further, That for purposes of section 142(b) of the Elementary and Secondary Education Act, as amended, a migratory child of a migratory agricultural worker or a migratory fisherman shall be deemed to continue to be a migratory child for a period not in excess of three years during which he resides in the area served by the agency carrying on a program or project under section 142(b):	This language would reduce from five years to three years the time a formerly migrant child can be deemed migratory for purposes of allocating funds and receiving services under the Chapter 1 Migrant program. Under the current law, migrant children are counted for allocation purposes and are eligible to receive services for up to five years after they last migrate. By reducing that period to three years in fiscal 1987, the Department could focus limited Migrant funds more effectively on students whose education has been interrupted because of their migrancy. Legislation amending the authorizing statute has been submitted to Congress to address this issue. Phased in over two years, the legislation would limit eligibility to three years in fiscal year 1987 and two years in fiscal 1988 and thereafter.
Provided further, That notwithstanding the provisions of section 143 of the Elementary and Secondary Education Act, as amended, not more than five per centum of the amount appropriated under section 554(a)(2)(A) of the Education Consolidation and Improvement Act shall be used for coordination of migrant education activities:	This language removes the statutory $6,000,000 minimum for coordination of migrant education activities. The five percent ceiling for migrant coordination activities would remain in effect as the maximum set-aside for these kinds of activities. This provision would enable the Department to fund migrant coordination activities at $5,000,000 in fiscal year 1987.

Compensatory Education for the Disadvantaged

Language Analysis -- Continued

Language Provision	Explanation
Provided further, That funds made available to Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Republic of Palau under sections 111(a) and 156 of the Elementary and Secondary Education Act, as amended, shall be available only in amounts that such entities would have received had the Compact of Free Association not been enacted.	The language provides that the Republic of Palau, Guam, American Samoa, the Northern Mariana Islands, and the Virgin Islands, shall continue to receive the amount of Chapter 1 funds to which they are entitled. This language is required because the recently enacted Compact of Free Association gave two entities within the Trust Territory of the Pacific (the Marshall Islands and the Federated States of Micronesia) independence, while a third (the Republic of Palau) chose to remain associated with the United States. In 1987, the amounts that would have flowed to the Marshall Islands, and the Federated States of Micronesia would be redistributed to all the States and Outlying Areas receiving Chapter 1 assistance rather than just the Outlying Areas alone.

IMPACT AID

For carrying out title I of the Act of September 30, 1950, as amended (20 U.S.C. ch. 13), [$675,000,000] $543,000,000, of which [$22,000,000] $20,000,000 shall be for entitlements under section 2 of said Act, $10,000,000, which shall remain available until expended, shall be for payments under section 7 of said Act and [$643,000,000 shall be for entitlements under section 3 of said Act of which] $513,000,000 shall be for entitlements under section 3(a) of said Act: [*Provided*, That payment with respect to entitlements under section 3(a) to any local educational agency described in section 3(d)(1)(A) of said Act shall be at 100 per centum of entitlement except that payment to such agency attributable to children who reside on property which is described in section 403(1)(C) of said Act shall be limited to 15 per centum of entitlement: *Provided further*, That payment with respect to entitlements under section 3(a) to any local educational agency not described in section 3(d)(1)(A) shall be ratably reduced from 100 per centum of entitlement except that payment to such agency attributable to children who reside on property which is described in section 403(1)(C) shall be ratably reduced from 15 per centum of entitlement: *Provided further*, That payment with respect to entitlements under section 3(b) of said Act to any local educational agency in which 20 per centum or more of the total average daily attendance is made up of children determined eligible under section 3(b) shall be at 60 per centum of entitlement and payment with respect to entitlements under section 3(b) of said Act to any local educational agency in which less than 20 per centum of the total average daily attendance is made up of children determined eligible under section 3(b) shall be ratably reduced from 100 per centum of entitlement:]

Provided, That payment with respect to entitlements under section 3(a) to any local educational agency whose children determined eligible under section 3(a) amount to at least 50 per centum of such agency's total average daily attendance shall be at 100 per centum of entitlement: Provided further, That payment with respect to entitlements under section 3(a) to any local educational agency whose children determined eligible under section 3(a) amount to at least 35 per centum but less than 50 per centum of such agency's total average daily attendance shall be at 95 per centum of entitlement: Provided further, That payment with respect to entitlements under section 3(a) to any local educational agency whose children determined eligible under section 3(a) amount to at least 20 per centum but less than 35 per centum of such agency's total average daily attendance shall be at 90 per centum of entitlement: Provided further, That payment with respect to entitlements under section 3(a) to any local educational agency whose children determined eligible under section 3(a) amount to at least 15 per centum but less than 20 per centum of such agency's total average daily attendance shall be at 75 per centum of entitlement: Provided further, That payment with respect to entitlements under section 3(a) to any local educational agency whose children determined eligible under section 3(a) amount to at least 10 per centum but less then 15 per centum of such agency's total average daily attendance shall be at 60 per centum of entitlement: Provided further, That payment with respect to entitlements under section 3(a) to any local educational agency whose children determined eligible under section 3(a) amount to less than 10 per centum of such agency's total average daily attendance shall be ratably reduced from 100 per centum of entitlement: Provided further, That payments on behalf of children who reside on property which is described in section 403(1)(c) of said Act shall be at 15 per centum of the respective payment level specified in each of the preceding six provisions: Provided further, That no payment shall be made under section 3(a) to any local educational agency whose payment under that section fails to exceed $5,000: Provided further, That only children described in section 3(a) shall be counted for determining eligibility and payments under section 3(d)(2)(B) of said Act: Provided further, That the aggregate amount for additional payments to local educational agencies eligible under section 3(d)(2)(B) shall not exceed $10,000,000: Provided further, That payment under section 5(b)(2) of said Act to any local educational agency described in section 3(d)(1)(A) of said Act shall not exceed 75 per centum of that agency's payment under sections 3(a) and 2 for the prior fiscal year: Provided further, That payment under section 5(b)(2) to any other local educational agency shall not exceed 50 per centum of that agency's payment under sections 3(a) and 2 for the prior fiscal year: Provided further, That the provisions of section 5(c) of said Act shall not apply to funds provided herein: Provided further, That no payments shall be made under section 7 of said Act to any local educational agency whose need for assistance under that section fails to exceed the lesser of $10,000 or 5 per centum of the district's current operating expenditures during the fiscal year preceding the one in which the disaster occurred [: Provided further, That in determining entitlements under section 3 of the Act of September 30, 1950 (Public Law 874, Eighty-first Congress), the local contribution rate for each local educational agency shall not be more than the local contribution rate for that agency for fiscal year 1985: Provided further, That in the case of a local educational agency that did not have a local contribution rate for fiscal year 1985, the Secretary shall base such agency's fiscal year 1986 payment on a local contribution rate the agency could have received for fiscal year 1985].

For carrying out the Act of September 23, 1950, as amended (20 U.S.C. ch. 19), [$20,000,000] $5,000,000, which shall remain available until expended, [shall be for providing school facilities as authorized by said Act, of which $8,500,000 shall be for awards under section 10 of said Act, $8,500,000] and shall be for awards under sections 14(a) and 14(b) of said Act[, and $3,000,000 shall be for awards under sections 5 and 14(c) of said Act]. (Department of Education Appropriation Act, 1986.)

[Provided further, That notwithstanding any other provision of this Act, amounts otherwise provided by this Act for the following accounts and activities are reduced by the following amounts:]

[IMPACT AID]

["School construction authorized by the Act of September 23, 1950", $2,500,000, of which $1,000,000 applies to section 10, $1,000,000 applies to section 14(a) and 14(b), and $500,000 applies to sections 5 and 14(c) of said Act;] (Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriation Act, 1986.)

Impact Aid

Language Analysis

Language Provision	Explanation
...$10,000,000, which shall remain available until expended, shall be for payments under section 7 of said Act...	The General Provisions of the annual appropriation law routinely prohibit the availability of funds beyond the fiscal year of appropriation. This language overrides that prohibition.
...$513,000,000 shall be for entitlements under section 3(a) of said Act:	This language indicates that Section 3 funds will be available only for payments under subsection 3(a).
[Provided, That payment with respect to entitlements under section 3(a) to any local educational agency described in section 3(d)(1)(A) of said Act shall be at 100 per centum of entitlement...]	The formula for making 3(a) payments to "Super a" districts in 1986 was defined by this language. It replaced the tier payment system contained in Section 5(c) of the program statute.
[...except that payment to such agency attributable to children who reside on property which is described in section 403(1)(C) of said Act shall be limited to 15 per centum of entitlement:]	The basic law authorizes payments at up to 100 percent of entitlement for Section 3(a) children connected with low-rent housing property. This language limited 1986 payments for these children to no more than 15 percent of entitlement.
Provided further, That payment with respect to entitlements under section 3(a) to any local educational agency not described in section 3(d)(1)(A) shall be ratably reduced from 100 per centum of entitlement...	The formula for making 3(a) payments to "regular a" districts in 1986 was defined by this language. It replaced the tier payment system contained in Section 5(c) of the program statute.
...except that payment to such agency attributable to children who reside on property which is described in section 403(1)(C) shall be ratably reduced from 15 per centum of entitlement:	The basic law authorizes payments at up to 100 percent of entitlement for Section 3(a) children connected with low-rent housing property. This language would limit payments for these children to no more than 15 percent of entitlement.

Impact Aid

Language Analysis — Continued

Language Provision	Explanation
[Provided further, That payment with respect to entitlements under section 3(b) of said Act to any local educational agency in which 20 per centum or more of the total average daily attendance is made up of children determined eligible under section 3(b) shall be at 60 per centum of entitlement and payment with respect to entitlements under section 3(b) of said Act to any local educational agency in which less than 20 per centum of the total average daily attendance is made up of children determined eligible under section 3(b) shall be ratably reduced from 100 per centum of entitlement:]	Funds were appropriated for payments under Section 3(b) for 1986. This language specified the formula for distribution of the funds. It overrode the tier payment system in the program law.
Provided, That payment with respect to entitlements under section 3(a) to any local educational agency whose children determined eligible under section 3(a) amount to at least 50 per centum of such agency's total average daily attendance shall be at 100 per centum of entitlement: ...payments on behalf of children who reside on property which is described in section 403(1)(c) of said Act shall be at 15 per centum of the respective payment level specified in each of the preceding six provisions:	This language establishes a payment formula for Section 3(a) for 1987. It overrides the tier payment system contained in Section 5(c).
Provided further, That no payments shall be made under section 3 to any local educational agency whose payment under that section fails to exceed $5,000:	There is no minimum payment provision currently in the statute. This language adds a minimum in order to reserve funds for those districts experiencing actual financial burdens and to reduce administrative costs.
Provided further, That only children described in section 3(a) shall be counted for determining eligibility	Both 3(a) and 3(b) children are counted for eligibility for Section 3(d)(2)(B) under the current

Impact Aid

Language Analysis — Continued

Language Provision	Explanation
and payments under section 3(d)(2)(B) of said Act:	statute. This language eliminates 3(b) children from calculations for payments under Section 3(d)(2)(B).
Provided further, That the aggregate amount for additional payments to local educational agencies eligible under section 3(d)(2)(B) shall not exceed $10,000,000:	The basic law contains no limit on payments under Section 3(d)(2)(B) except that contained in the tier payment system in general. This language is necessary to specify the amount of additional funds available for districts which qualify under Section 3(d)(2)(B).
Provided further, That payment under section 5(b)(2) of said Act to any local educational agency described in section 3(d)(1)(A) shall not exceed 75 per centum of that agency's payment under sections 3(a) and 2 for the prior fiscal year: Provided further, That payment under section 5(b)(2) of said Act to any other local educational agency shall not exceed 50 per centum of that agency's payment under sections 3(a) and 2 for the prior fiscal year:	Section 5(b)(2) provides for Sections 2 or 3 payments to a district at the beginning of the fiscal year at the rate of 75 percent of that district's previous year's payments for those sections. This language changes the rate of such payments to either 75 or 50 percent of the previous year's Sections 2 and 3(a) payments only, in order to minimize the risk of overpayments.
Provided further, That the provisions of section 5(c) of said Act shall not apply to funds provided herein:	Section 5(c) establishes a tier system for distributing funds when appropriations are not sufficient to pay full entitlement to all districts. Special language is included here for a distribution formula different from that in Section 5(c).
Provided further, That no payments shall be made under section 7 of said Act to any local educational agency whose need for assistance	The authorizing legislation establishes a threshold of eligibility for major disaster assistance at $1,000 or one-half of one

Impact Aid

Language Analysis -- Continued

Language Provision	Explanation
under that section fails to exceed the lesser of $10,000 or 5 per centum of the district's current operating expenditures during the fiscal year preceding the one in which the disaster occurred.	percent of a district's current operating expenditures during the fiscal year preceding the year in which the disaster occurred, whichever is less. Because inflation has made the current threshold unrealistically low, this language raises that threshold to $10,000 or 5 percent of current operating expenditures during the fiscal year preceding the year in which the disaster occurred, whichever is less.
[: Provided further, That in determining entitlements under section 3 of the Act...the local contribution rate for each local educational agency shall not be more than the local contribution rate for that agency for fiscal year 1985: ...in the case of a local educational agency that did not have a local contribution rate for fiscal year 1985, the Secretary shall base such agency's fiscal year 1986 payment on a local contribution rate the agency could have received for fiscal year 1985].	This language overrode provisions in the authorizing statute and regulations for determining local contribution rates.
For carrying out the Act of September 23, 1950, as amended (20 U.S.C. ch. 19), [$20,000,000] $5,000,000, which shall remain available until expended, [shall be for providing school facilities as authorized by said Act, of which $8,500,000 shall be for awards under section 10 of said Act, ...awards under sections 5 and 14(c) of said Act].	This language specifies a distribution of funds among the sections of P.L. 81-815.

SPECIAL PROGRAMS

For carrying out the consolidated programs and projects authorized under chapter 2 of the Education Consolidation and Improvement Act of 1981, as amended, [$531,909,000] $528,909,000, of which [$31,909,000] $28,909,000 shall be for programs and projects authorized under subchapter D of said Act [, including $10,700,000 for programs and projects authorized under subsection 583(a)(1) of said Act; $6,052,000 shall be used for awards, which, except for educational television programming, are not to exceed a cumulative amount of $1,000,000 to any recipient for national impact demonstration or research projects; $7,000,000 for activities authorized under subsection 583(b)(1) of said Act; $3,157,000 for programs authorized under subsection 583(b)(2) of said Act; $3,000,000 for programs authorized under subsection 583(b)(3) of said Act; and $2,000,000 for activities authorized under subsection 583(b)(4) of said Act]: Provided, That $500,000,000 to carry out the State block grant program authorized under chapter 2 of said Act shall become available for obligation on July 1, [1986] 1987, and shall remain available until September 30, [1987] 1988: Provided further, That funds made available to Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Republic of Palau shall be available only in amounts that such entities would have received had the Compact of Free Association not been enacted.

[For grants to State educational agencies and desegregation assistance centers authorized under section 403 of the Civil Rights Act of 1964, $24,000,000.]

[For carrying out activities authorized under title IX, part C of the Elementary and Secondary Education Act, $6,000,000.]

SPECIAL PROGRAMS — Continued

[For carrying out activities authorized under section 1524 of the Education Amendments of 1978, $5,000,000.]

[For carrying out activities authorized under section 1525 of the Education Amendments of 1978, $2,000,000.]

[For carrying out activities authorized under Public Law 92-506, as amended, $1,700,000: Provided, That said sum shall become available on July 1, 1986, and shall remain available until September 30, 1987.]

For carrying out the provisions of title VII of the Education for Economic Security Act, relating to magnet schools assistance, $75,000,000: Provided, That not more than $4,000,000 in the fiscal year may be paid to any single eligible local educational agency.

[For carrying out the provisions of title VI of the Education for Economic Security Act, $2,500,000 to remain available until expended.]

[For carrying out activities authorized under the Follow Through Act, $7,500,000.]

[For carrying out the provisions of title II of the Education for Economic Security Act, $50,000,000 to become available on July 1, 1986, and remain available until September 30, 1987.]

[For carrying out the provisions of title IX of Public Law 98-558, $7,500,000, to become available July 1, 1986, and to remain available until September 30, 1987.] (Department of Education Appropriation Act, 1986.)

[Provided further, That notwithstanding any other provision of this Act, amounts otherwise provided by this Act for the following accounts and activities are reduced by the following amounts:]

[SPECIAL PROGRAMS]

["National impact demonstration or research projects (except educational television programming) authorized under subchapter D of chapter 2 of the Education Consolidation and Improvement Act of 1981", $3,000,000;]

["Activities authorized by title II of the Education for Economic Security Act", $5,000,000;] (Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriation Act, 1986.)

[Sec. 128. Upon enactment of the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriation Act, 1986, the amount provided therein for the Secretary of Education's discretionary fund for programs of national significance (from sums appropriated for carrying out title II of the Education for Economic Security Act) shall immediately become available for obligation.] (Public Law 99-190, making continuing appropriations for fiscal year 1986.)

Special Programs

Language Analysis

Language Provision	Explanation
...Provided, That $500,000,000 to carry out the State block grant program authorized under chapter 2 of said Act shall become available for obligation on July 1, [1986] 1987, and shall remain available until September 30, [1987] 1988:...	This provision provides for forward funding for the State Block Grant program as permitted in the authorizing statute.
...Provided further, That funds made available to Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Republic of Palau shall be available only in amounts that such entities would have received had the Compact of Free Association not been enacted....	This provision would prevent the other Outlying Areas from receiving a windfall after the Trust Territory of the Pacific Islands, except for the Republic of Palau, withdraws from program participation under the Compact of Free Association.
...[For carrying out activities authorized under Public Law 92-506, as amended, $1,700,000: Provided, That said sum shall become available on July 1, 1986, and shall remain available until September 30, 1987.]	This provision in the 1986 appropriation permitted funding of the Ellender Fellowship program on a forward funded basis.
For carrying out the provisions of title VII of the Education for Economic Security Act, relating to magnet schools assistance, $75,000,000: Provided, That not more than $4,000,000 in the fiscal year may be paid to any single eligible local educational agency...	Under this provision, no grantee under the Magnet Schools Assistance program may receive more than $4,000,000 of fiscal year 1987 funds.

Special Programs

Language Analysis — Continued

Language Provision	Explanation
[Sec. 128. Upon enactment of the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriation Act, 1986, the amount provided therein for the Secretary of Education's discretionary fund for programs of national significance (from sums appropriated for carrying out title II of the Education for Economic Security Act) shall immediately become available for obligation.]	This language, included in the fifth Continuing Resolution for fiscal year 1986, made the funds appropriated for the Science and Mathematics Discretionary Fund immediately available for obligation, in order to permit the timely continuation of Federal support for three educational television series.

BILINGUAL EDUCATION

For carrying out, to the extent not otherwise provided, title VII of the Elementary and Secondary Education Act, [title VI of the Education Amendments of 1984, and title IV, part E of the Carl D. Perkins Vocational Education Act, $172,951,000, of which $5,000,000 shall be for section 732 of title VII of the Elementary and Secondary Education Act and $30,000,000 shall be for the Emergency Immigrant Education Program authorized by title VI of the Education Amendments of 1984] $142,951,000, of which $99,285,000 shall be for Part A, $10,100,000 shall be for Part B and $33,566,000 shall be for Part C: *Provided*, That the limitations in section 702(b)(3) and 702(b)(4) shall not be in effect. (Department of Education Appropriation Act, 1986.)

Bilingual Education

Language Analysis

Language Provision	Explanation
...of which $99,285,000 shall be for Part A, $10,100,000 shall be for Part B and $33,566,000 shall be for Part C:...	This language overrides the requirement in section 702(b)(5) of the Bilingual Education Act that at least 25 percent of the 702(b)(1) appropriation be reserved for Part C Training Grants. This permits the Department to increase funding for Part A without an increase for Part C.
...Provided, That the limitations in section 702(b)(3) and 702(b)(4) shall not be in effect.	This language overrides the requirement that 75 percent of Part A funds be used for transitional bilingual programs and that 4 percent of the 702(b)(1) appropriation be used for alternative instructional programs.

VOCATIONAL AND ADULT EDUCATION

[For carrying out, to the extent not otherwise provided, the Carl D. Perkins Vocational Education Act, and the Adult Education Act, $940,777,000 which shall become available for obligation on July 1, 1986, and shall remain available until September 30, 1987: Provided, That $10,000,000 shall be available for title IV, parts A and C of the Carl D. Perkins Vocational Education Act including $6,000,000 for section 404 of said title: Provided further, That $7,300,000 shall be available for State advisory councils under section 112 of the Carl D. Perkins Vocational Education Act shall be used to provide to each State an amount equal to the amount it received in the previous fiscal year: Provided further, That no State shall receive less under title II of the Carl D. Perkins Vocational Education Act than it received in the previous year: Provided further, That $101,963,000 for the Adult Education Act shall be used to provide to each State an amount equal to the amount it received under said Act in the previous year: Provided further, That $2,300,000 shall be made available for the National Occupational Information Coordinating Committee: Provided further, That $7,500,000 shall be made available to carry out title III-A of that Act and $31,633,000 shall be made available for title III-B of that Act.]

For carrying out, to the extent not otherwise provided, the Carl D. Perkins Vocational Education Act, $400,973,841, of which $6,818,037 shall be for title IV, parts A and C of said Act, including $2,000,000 for the National Occupational Information Coordinating Committee; and the remainder shall become available for obligation on July 1, 1987, and shall remain available until September 30, 1988: Provided, That $381,348,467 shall be

VOCATIONAL AND ADULT EDUCATION — Continued

available for basic grants to States under title II of that Act, of which up to 7 per centum may be reserved for State administration and the remainder of which shall be for part A of that title: Provided further, That $5,807,337 shall be available for Indian and Hawaiian natives programs under section 103 of that Act: Provided further, That $7,000,000 shall be available for State councils under section 112 of that Act: Provided further, That the limitation in section 403(d) of the Carl D. Perkins Vocational Education Act shall not apply to funds appropriated under this Act.

For carrying out, to the extent not otherwise provided, the Adult Education Act, $104,000,000, of which $2,000,000 shall be for projects under section 309 of that Act, and the remainder shall become available for obligation on July 1, 1987, and shall remain available until September 30, 1988. (Department of Education Appropriation Act, 1986.)

Vocational and Adult Education

Language Analysis

Language Provision	Explanation
[...Provided, That $10,000,000 shall be available for title IV, parts A and C of the Carl D. Perkins Vocational Education Act including $6,000,000 for section 404 of said title:	This provision limited funding for title IV to $10,000,000, specified that this funding be used only for parts A (Research) and C (Data Systems), and further specified that of that amount, $6,000,000 be used for the National Center for Research in Vocational Education.
Provided further, That $7,300,000 shall be available for State advisory councils under section 112 of the Carl D. Perkins Vocational Education Act shall be used to provide to each State an amount equal to the amount it received in the previous fiscal year:	This provision specified that each State council receive its previous year's allocation.
Provided further, That no State shall receive less under title II of the Carl D. Perkins Vocational Education Act than it received in the previous year:	This provision specified that each State's basic grant be held harmless with the 1985 appropriation level rather than the 1984 appropriation amount as specified in the Perkins Act.
Provided further, That $101,963,000 for the Adult Education Act shall be used to provide to each State an amount equal to the amount it received under said Act in the previous year:	This provision specifies that each State's grant be held harmless with the 1985 appropriation level rather than the 1984 appropriation amount as required by the Adult Education Act.
Provided further, That $2,300,000 shall be made available for the National Occupational Information Coordinating Committee:	This provision specifies that the National Occupational Information Coordinating Committee receive $2,300,000 rather than the $3,500,000 minimum specified in the Perkins Act.

Vocational and Adult Education

Language Analysis -- Continued

Language Provision	Explanation
Provided further, That $7,500,000 shall be made available to carry out title III-A of that Act and $31,633,000 shall be made available for title III-B of that Act.]	This provision specifies that the vocational education community-based organizations program receive $7,500,000 and the consumer and homemaking education program receive $31,633,000.
...of which $6,818,037 shall be for title IV, parts A and C of said Act, including $2,000,000 for the National Occupational Information Coordinating Committee;	This provision limits funding for title IV to $6,818,037, specifies that this funding be used only for parts A (Research) and C (Data Systems), and further specifies that the National Occupational Information Coordinating Committee receive $2,000,000 instead of the $3,500,000 minimum specified in the Perkins Act.
and the remainder shall become available for obligation on July 1, 1987, and shall remain available until September 30, 1988:	This language provides for all vocational education funds, except those available for title IV of the Perkins Act, to be appropriated on a forward funded basis.
Provided, That $381,348,467 shall be available for basic grants to States under title II of that Act, of which up to 7 per centum may be reserved for State administration and the remainder of which shall be for part A of that title:	This provision specifies that States receive $381,348,467 for basic grants under title II of the Perkins Act, restates the statutory provision that States may reserve up to 7 percent of their basic grants for State administration, and specifies that all of the remainder, instead of 57 percent as specified in the Perkins Act, be used for part A, Vocational Education Opportunities programs.
Provided further, That $5,807,337 shall be available for Indian and Hawaiian natives programs under section 103 of that Act:	This provision specifies that $5,807,337 be used for Indian and Hawaiian natives vocational education programs as authorized by section 103 of the Perkins Act.

Vocational and Adult Education

Language Analysis -- Continued

Language Provision	Explanation
Provided further, That $7,000,000 shall be available for State councils under section 112 of that Act:	This provision specifies that State councils, authorized by section 112 of the Perkins Act, receive $7,000,000.
Provided further, That the limitation in section 403(d) of the Carl D. Perkins Vocational Education Act shall not apply to funds appropriated under this Act.	This provision allows, for fiscal year 1987 only, funding for the National Assessment of Vocational Education to exceed 20 percent of the amount appropriated for title IV, part A. The Perkins Act requires that this assessment be conducted and that a final report be submitted to the Congress no later than January 1, 1989.
...of which $2,000,000 shall be for projects under section 309 of that Act,	This provision specifies that $2,000,000 be used for national discretionary programs of research, development, demonstration, dissemination, and evaluation authorized by section 309 of the Adult Education Act.
and the remainder shall become available for obligation on July 1, 1987, and shall remain available until September 30, 1988.	This provision specifies that funds for grants to States under the Adult Education Act be appropriated on a forward funded basis.

STUDENT FINANCIAL ASSISTANCE

For carrying out [subparts 1, 2, and 3 of part A, and] section 465 of part[s C and] E of title IV of the Higher Education Act, as amended, [$4,887,000,000] $25,000,000 which shall remain available until September 30, [1987, of which $412,500,000 shall be available for carrying out subpart 2 of part A of title IV of the Higher Education Act: Provided, That amounts appropriated for Pell Grants shall be available first to meet any insufficiencies in entitlements resulting from the payment schedule for Pell Grants published by the Secretary of Education for the 1985-86 academic year: Provided further, That pursuant to section 411(b)(4)(A) of the Higher Education Act, amounts appropriated herein for Pell Grants which exceed the amounts required to meet the payment schedule published for any fiscal year by 15 per centum or less shall be carried forward and merged with amounts appropriated for the next fiscal year: Provided further, That notwithstanding sections 411(a)(2)(A)(i) and 411(b)(5) of the Higher Education Act, the maximum Pell Grant a student may receive in the 1986-87 academic year shall be $2,100: Provided further, That the cost of attendance criteria used for calculating eligibility for and the amount of the Pell Grants for academic year 1986-87 shall be the same as the cost of attendance criteria used for academic year 1985-86: Provided further, That notwithstanding section 413D(a), subsections (a) and (b) of section 462, and subsections (a), (b), (c), and (e) of section 442, of that Act, the Secretary shall apportion funds among the States so that each State's apportionment under the Supplemental Educational Opportunity Grant Program, the National Direct Student Loan Program, and the Work-Study Program bears the same ratio to the total amount appropriated under each program as that State's apportionment in fiscal year 1981 for each program bears to the total amount appropriated for fiscal year 1981 for each program: Provided further, That notwithstanding sections 413D(b)(1)(B)(ii) and section 446(a) of that Act, from each jurisdiction's allotment of funds under each program, the Secretary shall allocate sums to institutions in that jurisdiction that did not receive an allocation in fiscal year 1979 (award year 1979-80) under each program in a manner that will most effectively carry out the purposes of the Supplemental Educational Opportunity Grant Program and the Work-Study Program: Provided further, That notwithstanding section 413D(b)(1)(B)(ii)(II) of the Higher Education Act, the provision of clause (I) of section 413D(b)(1)(B)(ii) of such Act shall apply to the amount made available for Supplemental Educational Opportunity Grants under this heading.] 1988. (Department of Education Appropriation Act, 1986; additional authorizing legislation to be proposed.)

[SEC. 129. Notwithstanding any other provisions of this joint resolution or any other provision of law, any student residing in an area designated as a natural disaster area pursuant to a provision of Federal law may apply or reapply for a Pell Grant under subpart 1 of part A of title IV of the Higher Education Act of 1965 and be eligible for and receive a Pell award based on income earned in calendar year 1985 instead of 1984 if individuals whose incomes are taken into account in determining the student's eligibility for any amount of a Pell Grant have been unable to pursue normal income-producing activities in 1985 as a result of the natural disaster.] (Public Law 99-190, making continuing appropriations for the fiscal year 1986.)

Student Financial Assistance

Language Analysis

Language Provision	Explanation
...[...Provided, That amounts appropriated for Pell Grants shall be available first to meet any insufficiencies in entitlements resulting from the payment schedule for Pell Grants published by the Secretary of Education for the 1985-86 academic year:	This language provides that if funds appropriated in the previous year are insufficient to pay student awards, funds from this appropriation may be drawn down to satisfy these costs. This provision will not be included in proposed legislation to reauthorize the Higher Education Act except as necessary to allow elimination of any shortfalls from 1985 or prior years.
...[...Provided further, That notwithstanding sections 411(a)(2)(A)(i) and 411(b)(5) of the Higher Education Act, the maximum Pell Grant a student may receive in the 1986-87 academic year year shall be $2,100:	This language limits the maximum Pell Grant to $2,100 in the 1986-87 academic year. Proposed legislation to reauthorize the Higher Education Act will authorize a $2,100 maximum grant in academic year 1987-88.
...[...Provided further, That the cost of attendance criteria used for calculating eligibility for and the amount of the Pell Grants for academic year 1986-87 shall be the same as the cost of attendance criteria used for academic year 1985-86.	This language provides that cost of attendance criteria used will be the same as the previous year. The reauthorization of the Higher Education Act will include a standard allowance for all costs above tuition and fees dependent upon the student's living arrangements.

Student Financial Assistance

Language Analysis - Continued

Language Provision	Explanation
...[...Provided further, That notwithstanding section 413D(a), subsections (a) and (b) of section 462, and subsections (a), (b), (c), and (e) of section 442, of that Act, the Secretary shall apportion funds among the States so that each State's apportionment under the Supplemental Educational Opportunity Grant Program, the National Direct Student Loan Program, and the Work-Study Program bears the same ratio to the total amount appropriated under each program as that State's apportionment in fiscal year 1981 for each program bears to the total amount appropriated for fiscal year 1981 for each program:	This provision provides for the same proportionate distribution of funds among States under the Work-Study, Supplemental Educational Opportunity Grant, and Direct Loan Programs as in FY 1981. Proposed legislation to reauthorize the Higher Education Act will propose a new and simplified State allocation formula.
...[...Provided further, That notwithstanding sections 413D(b)(1)(B)(ii) and section 446(a) of that Act, from each jurisdiction's allotment of funds under each program, the Secretary shall allocate sums to institutions in that jurisdiction that did not receive an allocation in fiscal year 1979 (award year 1979-80) under each program in a manner that will most effectively carry out the purposes of the Supplemental Educational Opportunity Grant Program and the Work-Study Program:	This provision accommodates the funding of institutions new to the campus-based program since 1981. Proposed legislation to reauthorize the Higher Education Act will provide for the funding of new institutions under the proposed Campus-Based Aid program and the Direct Loan program.

Student Financial Assistance

Language Analysis - Continued

Language Provision	Explanation
...[...Provided further, That notwithstanding section 413D(b)(1)(B)(ii)(II) of the Higher Education Act, the provision of clause (I) of section 413D(b)(1)(B)(ii) of such Act shall apply to the amount made available for Supplemental Educational Opportunity Grants under this heading.]	This provision establishes a minimum institutional allocation under the Supplemental Grant program. Proposed legislation reauthorizing the Higher Education Act does not include authorization for a separate appropriation for Supplemental grants.
...[...SEC. 129. Notwithstanding any other provisions of this joint resolution or any other provision of law, any student residing in an area designated as a natural disaster area pursuant to a provision of Federal law may apply or reapply for a Pell Grant under subpart 1 of Part A of title IV of the Higher Education Act of 1965 and be eligible for and receive a Pell award based on income earned in calendar year 1985 instead of 1984 if individuals whose incomes are taken into account in determining a student's eligibility for any amount of a Pell Grant have been unable to pursue normal income-producing activities in 1985 as a result of the natural disaster.]	This provision allows students to reapply for Pell Grants with recalculation of their expected family contributions even though current regulations require that the disaster affect income over a 10 week period in the calendar year. Since some disasters occurred in 1985 only 8 weeks from the end of the year, students in those areas may also reapply for Pell Grants and receive consideration as if the income affected were for a 10 week period. This provision will not be included under proposed legislation to reauthorize the Higher Education Act.

HOWARD UNIVERSITY

For partial support of Howard University (20 U.S.C. 121 et seq.), [$164,230,000] $157,170,000, of which $2,000,000 shall be for an endowment matching grant in accordance with [policies and procedures as appropriate for comparable grants under the Challenge Grant Amendments of 1983] the Howard University Endowment Act (Public Law 98-[95]480) and shall remain available until expended. (Department of Education Appropriation Act, 1986.)

Howard University

Language Analysis

Language Provision	Explanation
...of which $2,000,000 shall be for an endowment matching grant in accordance with [policies and procedures as appropriate for comparable grants under the Challenge Grant Agreements of 1983] the Howard University Endowment Act (Public Law 98-[95]480) and shall remain available until expended. (Department of Education Appropriation Act, 1986.)	The endowment grant is earmarked for $2,000,000, which shall remain available until expended, in order to give Howard ample time to raise matching funds.

COLLEGE HOUSING LOANS

[The aggregate amount of commitments for loans made from the fund established pursuant to title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749), for the fiscal year 1986 shall not exceed the total of loan repayments and other income available during such period, less operating costs.] Payments of interest insufficiencies for the fiscal year [1986] 1987 as may be required by the Government National Mortgage Association, as trustee, on account of outstanding beneficial interests or participations issued pursuant to the Participation Sales Act of 1966 (section 302(c) of the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. 1717(c))) shall be made from the fund established pursuant to title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749-1749c) using loan repayments and other income available during such fiscal year. During the fiscal year [1986 and within the resources and authority available, gross commitments for the principal amount of direct loans shall be $60,000,000] 1987, no new commitments for loans may be made from the fund. The authority provided to the Secretary under section 101 of the Independent Offices Appropriation Act, 1964 (12 U.S.C. 1749d), relating to compensation and payment of fixed fees for inspections and site visits, is hereby permanently revoked. Any fixed fees remaining in the fund or paid into the fund after the enactment of this Act shall be available for other operating costs of the fund. (Department of Education Appropriation Act, 1986.)

College Housing Loans

Language Analysis

Language Provision	Explanation
Payments of interest insufficiencies for the fiscal year [1986] 1987 as may be required by the Government National Mortgage Association, as trustee, on account of outstanding beneficial interests or participations issued pursuant to the Participation Sales Act of 1966 (section 302(c) of the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. 1717(c))) shall be made from the fund established pursuant to title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749-1749c) using loan repayments and other income available during such fiscal year.	This language enables a portion of the revolving fund's existing resources to be used to pay interest insufficiencies related to GNMA participation certificates, thereby removing the need for an appropriation for this purpose. The program's investment income on previous transfers and cumulative deposits in the GNMA participation sales fund is capable of financing the insufficiencies.
During the fiscal year [1986 and within the resources and authority available, gross commitments for the principal amount of direct loans shall be $60,000,000] 1987, no new commitments for loans may be made from the fund.	This language prohibits new loan commitments from being made from the revolving fund in 1986, reflecting both the decreased level of real need for these loans and the Administration's commitment to sustained curtailment of expenditures for nonessential, discretionary purposes and to elimination of unneeded credit subsidies. This prohibition on new loans enables a larger portion of loan repayments and other income to be used to redeem outstanding Treasury borrowing debt.

College Housing Loans

Language Analysis — Continued

Language Provision	Explanation
The authority provided to the Secretary under section 101 of the Independent Offices Appropriation Act, 1964 (12 U.S.C. 1749d), relating to compensation and payment of fixed fees for inspections and site visits, is hereby permanently revoked. Any fixed fees remaining in the fund or paid into the fund after the enactment of this Act shall be available for other operating costs of the fund.	This language permanently revokes the authority for the assessment of audit and inspection fees on new loan commitments and permits previously collected and earned fees to be used for other program operating costs. This, in turn, allows for the continuing costs of audits and inspections to instead be paid for with Salaries and Expenses (S&E) account funds. Support of these staff activities with S&E funds provides for a more appropriate annual review of their costs, as part of the agency's administrative budget request.

HIGHER EDUCATION FACILITIES LOANS AND INSURANCE

For the payment of principal and interest, including interest insufficiencies, as authorized by the Department of Health, Education, and Welfare Appropriation Act, 1968, on account of outstanding beneficial interests or participations held by the Government National Mortgage Association, as trustee, on behalf of the Department of Education, and issued pursuant to the Participation Sales Act of 1966 (section 302(c) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1717(c)), and for the payment of interest to the Treasury as required by title VII, part C, section 733(b)(2) of the Higher Education Act, as amended (20 U.S.C. 1132d-2(b)(2)), [$17,996,000] $19,205,000, to remain available until expended. The Secretary is hereby authorized to make such expenditures, within the limits of funds available under this heading and in accord with law, and to make such contracts and commitments without regard to fiscal year limitation, as provided by section 104 of the Government Corporation Control Act (31 U.S.C. 9104), as may be necessary in carrying out the program set forth in the budget for the current fiscal year. For the fiscal year [1986] 1987, no new commitments for loans may be made from the fund established pursuant to title VII, section 733 of the Higher Education Act, as amended (20 U.S.C. 1132d-2). (Department of Education Appropriation Act, 1986.)

Higher Education Facilities Loans and Insurance

Language Analysis

Language Provision	Explanation
For the fiscal year [1986] 1987, no new commitments for loans may be made from the fund established pursuant to title VII, section 733 of the Higher Education Act, as amended (20 U.S.C. 1132d-2).	This language continues the current prohibition on new loan commitments, thereby directing available resources of the revolving fund (which includes new budget authority as well as program income) only toward payment of mandatory program operating costs and amortization of outstanding program debt.

SALARIES AND EXPENSES

For carrying out, to the extent not otherwise provided, the Department of Education Organization Act, including rental of conference rooms in the District of Columbia and hire of three passenger motor vehicles, [$225,867,000] $295,755,000: Provided, That not less than $16,378,000 shall be available for expenses of the Office of the Inspector General.

[OFFICE FOR CIVIL RIGHTS]

[For expenses necessary for the Office for Civil Rights, as authorized by section 203 of the Department of Education Organization Act, $44,580,000.]

[OFFICE OF THE INSPECTOR GENERAL]

[For expenses necessary for the Office of the Inspector General, as authorized by section 212 of the Department of Education Organization Act, $15,312,000.] (Department of Education Appropriation Act, 1986.)

Salaries and Expenses

Language Analysis

Language Provision	Explanation
...Provided, That not less than $16,378,000 shall be available for expenses of the Office of the Inspector General.	This provision sets an appropriation floor for the Office of the Inspector General.

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DEPARTMENT OF EDUCATION

Federal Outlays for Education - Fiscal Years 1985-1987
(Subfunctions 501, 502 and 503 only)
(in millions of dollars)

A. Federal Outlays for Education (By Department of Education and Other Federal Agencies)	1985 Actual	1986 1/ Estimate	1987 Estimate
1. Department of Education Outlays, By Subfunction:			
501 Elementary, Secondary and Vocational Education	$7,336	$7,050	$7,113
502 Higher Education	8,256	9,019	6,849
LESS: Offsetting Receipts	-19	-43	-45
503 Research and General Education Aids	236	305	255
Subtotal, Department of Education Outlays	15,809	16,331	14,172
2. Other Federal Agency Education Outlays, By Subfunction:			
501 Elementary, Secondary and Vocational Education			
Department of the Interior	297	300	248
502 Higher Education			
Department of Housing and Urban Development	-27	-24	-14
Other Independent Agencies:			
Harry S. Truman Scholarship Foundation (trust funds)	1	2	3
National Commission on Student Financial Assistance	*	*	---
503 Research and General Education Aids			
Legislative Branch	177	181	189
Department of Commerce	19	18	12
Other independent agencies:			
Corporation for Public Broadcasting	150	160	200
National Afro-American History and Culture Commission	---	*	*
National Commission on Libraries and Information Science	1	1	1
National Endowment for the Arts	149	173	162
National Endowment for the Humanities	150	148	130
Institute of Museum Services	19	26	16
Smithsonian Institution	227	239	258
LESS: Offsetting Receipts	-5	-5	-5
Subtotal, Other Agency Outlays	1,158	1,219	1,200
TOTAL, Federal Outlays for Education	16,965	17,550	15,372

* $500 thousand or less.
1/ Reflects proposed rescissions and supplementals.
Note: Detail may not add to Subtotals/Totals due to rounding.

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DEPARTMENT OF EDUCATION

Federal Outlays for Education - Fiscal Years 1985-1987
(Subfunctions 501, 502 and 503 only)
(in millions of dollars)

B. Federal Outlays for Education (By Subfunction):	1985 Actual	1986 1/ Estimate	1987 Estimate
501 Elementary, Secondary and Vocational Education	$7,633	$7,350	$7,361
502 Higher Education	8,230	8,998	6,837
LESS: Offsetting Receipts	-19	-43	-45
503 Research and General Education Aids	1,126	1,251	1,225
LESS: Offsetting Receipts	-5	-6	-6
TOTAL, Federal Outlays for Education	16,965	17,550	15,372

1/ Reflects proposed rescissions and supplementals.
Note: Detail may not add to Subtotals/Totals due to rounding.

For additional information: See Moyer Exhibit E-1 for Federal education appropriations for Subfunctions 501, 502, and 503.

Source: OMB Budget Preparation System table; Budget Authority by Function, Program and Account

DEPARTMENT OF EDUCATION

Student Aid and Training Programs
Estimated Obligations - Fiscal Year 1987

	Fellowships	Training Grants	Direct Aid Grants
Postsecondary Education			
Student Financial Assistance:			
Pell Grants	—	—	$3,485,200,000
Work-Study	—	—	400,000,000
Other			
Special Programs:			
Teacher Training and Improvement	—	$75,000,000	
Bilingual Education:			
Training grants	$3,000,000	30,566,000	—
Education for the Handicapped:			
Special Education personnel development	—	48,000,000	—
Rehabilitation Services and Handicapped Research:			
Training	—	15,000,000	—

Loans to Students

	Obligations of Federal Funds	Total Loan Volume
Student Financial Assistance:		
Direct loans	$25,000,000	$751,100,000
Income contingent loans	190,000,000	—
Guaranteed Student Loans	3,101,003,000	9,304,000,000

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DEPARTMENT OF EDUCATION

Total Department of Education Budget Authority 1/
Fiscal Years 1968-1987
(in thousands of dollars)

Fiscal Year	Total Budget Authority	(Federal Funds)	(Trust Funds)
1987 Est.	$15,218,094	($15,218,094)	(—)
1986 Est. 2/	16,715,256	(16,715,246)	($10)
1985	19,077,345	(19,077,335)	(10)
1984	15,423,251	(15,423,241)	(10)
1983	15,397,238	(15,397,209)	(29)
1982	14,726,082	(14,725,985)	(97)
1981	14,895,237	(14,895,237)	(—)
1980	13,797,256	(13,797,256)	(—)
1979	12,635,386	(12,635,386)	(—)
1978	10,391,458	(10,391,458)	(—)
1977	9,527,392	(9,527,392)	(—)
1976	8,117,467	(8,117,467)	(—)
1975	6,759,548	(6,759,548)	(—)
1974	6,127,895	(6,127,876)	(19)
1973	6,237,223	(6,237,211)	(12)
1972	5,281,017	(5,281,013)	(4)
1971	4,452,638	(4,452,638)	(—)
1970	3,843,501	(3,843,501)	(—)
1969	3,638,426	(3,638,426)	(—)
1968	1,546,309	(1,546,309)	(—)

1/ Non-comparable. Table includes Federal funds and trust funds for all Department of Education subfunctions. Amounts reflect deductions for offsetting receipts.

2/ Reflects proposed rescissions totalling $1,080,200 thousand, proposed supplementals totalling $65,044 thousand and reductions pursuant to Public Law 99-177 totalling $678,418 thousand.

Source: "Budget by Agency and Account," Part 6d, Budget of the U.S. Government, Fiscal Year 1987.

DEPARTMENT OF EDUCATION

Total Department of Education Outlays 1/
Fiscal Years 1968-1987
(in thousand of dollars)

Fiscal Year	Total Outlays	(Federal Funds)	(Trust Funds)
1987 Est. 2/ 3/	$15,442,220 4/	($15,442,210)	($10)
1986 Est. 2/ 5/	17,839,639 4/	(17,839,591)	(48)
1985	16,682,086	(16,682,109)	(-23)
1984	15,511,343	(15,511,181)	(162)
1983	14,557,948	(14,557,918)	(30)
1982	14,080,309	(14,080,162)	(147)
1981	15,101,605	(15,101,605)	(---)
1980	13,112,306	(13,112,604)	(-298)
1979	10,879,226	(10,879,189)	(37)
1978	8,674,334	(8,674,344)	(---)
1977	7,691,460	(7,691,460)	(---)
1976	6,813,546	(6,813,546)	(---)
1975	6,419,420	(6,419,420)	(---)
1974	4,884,915	(4,884,915)	(---)
1973	4,990,253	(4,990,253)	(---)
1972	4,903,714	(4,903,714)	(---)
1971	4,542,334	(4,542,334)	(---)
1970	4,110,268	(4,110,268)	(---)
1969	3,471,371	(3,471,371)	(---)
1968	3,620,266	(3,620,266)	(---)

Total Department of Education Outlays 1/
Fiscal Years 1968-1987
(continued)

1/ Non-comparable. Table includes total outlays of Federal funds and trust funds for all Department of Education subfunctions. Amounts reflect deductions for ofsetting receipts.

2/ Estimates reflect postsequestration levels pursuant to P.L. 99-177.

3/ Includes an outlay increase of $7,267 thousand as a result of proposed 1986 supplementals, includes an outlay savings of $712,058 thousand as a result of proposed 1986 rescissions, and includes an outlay increase of $299,113 as a result of proposed legislation.

4/ Total outlay figures differ from the printed President's Budget by $51 thousand in FY 1986 and $6 thousand in FY 1987 due to a GAO decision concerning the application of Gramm-Rudman-Hollings to the College Housing Loan program.

5/ Includes an outlay increase of $52,035 thousand as a result of proposed 1986 supplementals, includes an outlay savings of $173,931 thousand as a result of proposed 1986 rescissions, and includes an outlay savings of $49,236 as a result of proposed legislation.

Source: "Budget by Agency and Account," Budget of the U.S. Government, Fiscal Year 1987.

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DEPARTMENT OF EDUCATION

Total Department of Education Outlays by 1987 Appropriation Structure
Fiscal Years 1985-1987
(in thousands of dollars)

Appropriation Account	1985 Actual 1/	1986 Estimate 1/ 2/	1987 Estimate 1/ 2/
Compensatory Education for the Disadvantaged:			
Compensatory Education for the Disadvantaged	$4,206,754	$2,951,933	$3,540,611
Proposed rescission	---	-1,005	-4,954
Subtotal	4,206,754	2,950,828	3,536,017
Impact Aid	647,402	710,132	611,038
Special Programs:			
Special Programs	526,401	661,779	639,237
Proposed rescission	---	-2,170	-27,506
Proposed legislation	---	---	8,250
Subtotal	526,401	659,609	619,981
Indian Education:			
Indian Education	82,328	57,905	34,673
Proposed legislation	---	---	33,210
Subtotal	82,238	57,905	67,883
Bilingual Education	142,169	99,115	139,979
Immigrant Education:			
Immigrant Education	15,370	28,500	29,199
Proposed rescission	---	---	-14,642
Subtotal	15,370	28,500	14,557
Education for the Handicapped:			
Education for the Handicapped	1,107,964	1,512,329	1,293,168
Proposed rescission	---	-3,764	-31,900
Subtotal	1,107,964	1,508,565	1,261,268

DEPARTMENT OF EDUCATION

Total Department of Education Outlays by 1987 Appropriation Structure
Fiscal Years 1985-1987 (continued)
(in thousands of dollars)

Appropriation Account	1985 Actual 1/	1986 Estimate 1/ 2/	1987 Estimate 1/ 2/
Rehabilitation Services and Handicapped Research:			
Rehabilitation Services and Handicapped Research	$798,298	$1,490,009	$1,210,146
Proposed rescission	---	-58,086	-12,072
Subtotal	798,298	1,431,923	1,198,074
Payments to Institutions for the Handicapped:			
Payments to the Institutions for the Handicapped	83,361	123,707	95,605
Proposed rescission	---	-419	-27
Proposed legislation	---	---	1,940
Subtotal	83,361	123,288	97,518
Promotion for the Education for the Blind Trust Fund	10	10	10
Vocational and Adult Education:			
Vocational and Adult Education	658,314	992,425	963,269
Proposed rescission	---	-4,207	-143,029
Subtotal	658,314	988,218	820,240
Student Financial Assistance:			
Student Financial Assistance	4,162,695	5,064,895	3,503,749
Proposed rescission	---	-74,727	-335,585
Proposed legislation	---	---	1,095,757
Subtotal	4,162,695	4,990,168	4,263,921
Guaranteed Student Loans:			
Guaranteed Student Loans	3,534,795	3,228,469	3,388,271
Proposed supplemental	---	52,035	13,009
Proposed legislation	---	-49,236	-855,266
Subtotal	3,534,795	3,231,268	2,546,014

DEPARTMENT OF EDUCATION

Total Department of Education Outlays by 1987 Appropriation Structure
Fiscal Years 1985-1987 (continued)
(in thousands of dollars)

Appropriation Account	1985 Actual 1/	1986 Estimate 1/ 2/	1987 Estimate 1/ 2/
Higher Education:			
Higher Education	$404,511	$477,379	$407,428
Proposed rescission	---	-20,769	-121,643
Proposed legislation	---	---	15,312
Subtotal	404,511	456,610	301,097
Howard University:			
Howard University	178,283	181,534	157,367
Proposed rescission	---	-4,994	-705
Subtotal	178,283	176,540	156,662
Higher Education Facilities Loans and Insurance	5,307	1,133	-1,084
College Housing Loans:			
College Housing Loans	-164,061	-5,004	-586,452
Proposed supplemental	---	---	-5,742
Subtotal	-164,061	-5,004	-592,194
Intergovernmental funds: SMLA obligation guarantees	---	---	-30,000
Educational Research and Improvement	28,809	65,978	65,067
Libraries:			
Libraries	85,650	132,753	94,996
Proposed rescission	---	-3,790	-19,995
Subtotal	85,650	128,963	75,041
Salaries and Expenses	284,900	276,444	290,866

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DEPARTMENT OF EDUCATION

Total Department of Education Outlays by 1987 Appropriation Structure
Fiscal Years 1985-1987 (continued)
(in thousands of dollars)

Appropriation Account	1985 Actual 1/	1986 Estimate 1/ 2/	1987 Estimate 1/ 2/
Education and Research Overseas	$1,838	$1,908	$265
Contributions (trust funds)	-33	38	---
SUBTOTAL, Outlays	16,701,088	17,882,191	15,442,210
LESS: Offsetting Receipts (Federal funds)	-18,979	-42,600	-45,232
Offsetting Receipts (proposed legislation)	---	---	45,232
Offsetting Receipts (trust funds)	-23	48	10
TOTAL, Outlays	16,682,086	17,839,639 3/	15,442,220 3/

Note: Back-up to T-15, Moyer Report. Table includes Federal funds and trust funds for all Department of Education subfunctions.

1/ Table 15 outlay figures differ from Table 12 as follows: T-15 is total Department of Education outlays; T-12 is total for Subfunction 501, 502, and 503 outlays.

2/ Estimates reflect postsequestration levels pursuant to P.L. 99-177.

3/ Total outlay figures differ from the printed President's Budget by $51 thousand in FY 1986 and $6 thousand in FY 1987 due to a GAO decision concerning the application of Gramm-Rudman-Hollings to the College Housing Loan program.

Source: "Budget by Agency and Account," Budget of the United States Government, FY 1987.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
DEPARTMENT OF EDUCATION						
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION (OESE)						
Compensatory Education for the Disadvantaged						
1. Basic grants for disadvantaged (ECIA Chapter 1):						
(a) Grants to local educational agencies (section 554)	3,200,000	Indefinite	3,062,400	3,062,400	Indefinite	3,181,005
(b) State agency programs:						
(1) Migrant (section 554(a)(2)(A))	264,524	—	253,149	253,149	—	282,519
(2) Handicapped (section 554(a)(2)(B))	150,170	—	143,713	143,713	—	150,170
(3) Neglected and delinquent (section 554(a)(2)(C))	32,616	—	31,214	31,214	—	32,616
Subtotal	447,310	Indefinite	428,076	428,076	Indefinite	465,305
(c) State administration (section 554(b)(1)(B))	35,487	Indefinite	34,076	34,076	Indefinite	35,487
2. Evaluation and technical assistance (section 555(d))	3,346	Indefinite	3,600	3,600	Indefinite	4,346
Total definite authorizations	3,686,143	—	3,527,372	3,527,372	—	3,686,143
Unfunded authorizations:						
Incentive grants (ECIA Ch. 1 sec. 554(a)(1)(B) and ESEA Title I section 116)	—	Indefinite	—	—	Indefinite	—
Concentration grants (ECIA Ch. 1 sec. 554(a)(1)(B) and ESEA Title I section 116)	—	Indefinite	—	—	Indefinite	—
Total definite authorizations	3,686,143	—	3,527,372	3,527,372	—	3,686,143

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
Impact Aid						
1 Maintenance and operations (Pub L. 81-874):						
(a) Payments for "a" children (section 3a)	510,000	740,000 a	490,941	490,941	700,000 b	315,000
(b) Payments for "b" children (section 3b)	133,000	— a	124,410	124,410	— b	—
(c) Special provisions (section 2)	22,000	— a	21,054	21,054	— b	20,000
Subtotal	665,000	740,000	636,405	636,405	700,000	335,000
2. Disaster assistance (section 7)	10,000	— a	9,370	9,370	— b	10,000
3. Construction (Pub L. 81-815)	20,000	Indefinite	16,747	16,747	Indefinite	3,000
Total definite authorizations	695,000	740,000	662,522	662,522	700,000	348,000

Note: a. A total of $740,000 thousand is authorized for all Pub.L. 81-874 activities for fiscal year 1986.
b. A total of $700,000 thousand is authorized for all Pub.L. 81-874 activities for fiscal year 1987.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
Special Programs						
1. Improving school programs:						
(a) State block grants (ECIA 2 subchapters A, B and C).	500,000	Indefinite	478,500	478,500	Indefinite	500,000
(b) Secretary's discretionary fund (ECIA 2-D):						
(1) Inexpensive book distribution....	7,000	—	6,699	6,699	—	7,000 a
(2) Arts in education..	3,157	—	3,021	3,021	—	3,157 a
(3) Alcohol and drug abuse education.............	3,000	—	2,871	2,871	—	3,000 a
(4) Law-related education..........................	2,000	—	1,914	1,914	—	2,000 a
(5) Other discretionary programs	16,752	—	13,161	13,161	—	13,752
Subtotal..	31,909	— b	27,666	27,666	— b	28,909
Subtotal, ECIA Chapter 2............	531,909	—	506,166	506,166	—	528,909
2. Teacher training and improvement:						
(a) State grants (proposed legislation)	—	—	—	—	To be determ.	60,000 c
(b) Secretary's discretionary fund (proposed legislation)......	—	—	—	—	To be determ.	15,000 c
(c) Science & mathematics State grants (Pub.L. 98-377).	90,100	400,000 d,e	39,190	39,190	400,000 d,e	—
(d) Science & mathematics Secretary's discretionary fund (Pub.L. 98-377)...................	9,900	— e	3,876	3,876	— e	—
(e) Territorial teacher training (Pub L. 95-561 section 1525)..	2,000	2,000	1,914	—	2,000	—
(f) Leadership in educational administration (LEAD) (Pub.L. 98-558 Title IX)....	—	20,000	7,177	—	20,000	—
Subtotal..............	102,000	422,000	52,157	43,066	422,000	75,000

Note: a. Preliminary estimates.

b. Section 565(a) of the Education Consolidation and Improvement Act authorizes the Secretary to reserve an amount not to exceed six percent of the sums appropriated for Chapter 2.

c. Replaces Science and Mathematics Education, Territorial Teacher Training and Leadership in Educational Administration.

d. Includes Territories and Indian schools.

e. A total of $400,000 thousand is authorized for Science and Mathematics Education, including $364,000 thousand for State grants and $36,000 thousand for the Secretary's discretionary fund.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
3. Excellence in education (Pub.L. 98-377)	3,000	16,000	2,992	—	16,000	—
4. Magnet schools assistance (Pub L. 98-377)	75,000	75,000	71,775	71,775	75,000	75,000
5. Women's educational equity (ESEA IX-C)	6,000	12,000	5,742	—	14,000	—
6. Training and advisory services (CRA IV)	24,000	Indefinite	22,960	16,000	Indefinite	—
7. General assistance to the Virgin Islands (Pub L. 95-561 section 1524)	2,700	5,000	4,785	—	5,000	—
8. Ellender fellowships (Pub.L. 98-506)	1,500	2,000	1,627	—	2,000	—
9. Follow through (Follow Through Act)	10,000	7,500	7,177	—	— a	—
Total definite authorizations	730,109	509,500	674,709	687,007	584,000	678,909
Unfunded authorizations:						
Partnerships in education for mathematics, science, and engineering	—	50,000	—	—	50,000	—
Total definite authorizations	730,109	509,500	674,709	687,007	584,000	678,909

Note: a. Authorization is repealed at the end of fiscal year 1986.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
Indian Education						
1. Grants for Indian children:						
(a) State grants (proposed legislation)	—	—	—	—	To be determ.	70,383 a
(b) Payments to local educational agencies and Indian-controlled schools (IEA Part A)	50,323	Such sums nec	47,870	47,870	— b	—
Subtotal	50,323	—	47,870	47,870	—	70,383
2. Adult education (proposed legislation)	2,940	8,000	2,797	2,797	To be determ. b	2,940
3. Special programs for Indian students (IEA Part B)	11,760	37,000	11,301	11,301	— c	—
4. Program administration (IEA Part D):						
(a) Salaries and expenses	2,156	Such sums nec	2,007	2,007	To be determ. d	2,180
(b) National advisory council	225	Such sums nec	212	212	To be determ. d	286
Subtotal	2,381	—	2,219	2,219	—	2,466
Total definite authorizations	67,404 e	45,000	64,187 f	64,187	—	75,789
TOTAL, OESE definite authorizations	3,800,476	1,894,300	4,981,270	4,090,480	1,864,000	4,990,891

Note: a. Includes funding previously associated with the Johnson O'Malley program of awards to public school districts (Department of Interior/Bureau of Indian Affairs). Comparable Johnson O'Malley amounts are: 1985 appropriation, $25,474 thousand; 1986 appropriation, $68,300 thousand.

b. Under current law, an amount not to exceed the 1986 appropriation.

c. The amount appropriated for such purposes in 1986.

d. Under current law, such sums as may be necessary.

e. The appropriation for this program is contained in the Interior bill.

f. The appropriation for this program is contained in the fifth continuing resolution for 1986, Pub.L. 99-190.

The proposed legislation (Indian Education Act of 1986) would end all programs currently authorized under the Indian Education Act and establish new programs of grants to States for Indian children and adult education

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS (OBEMLA)						
Bilingual Education						
1. Bilingual education (Bilingual Education Act):						
(a) Bilingual programs (Part A)	94,960 a	— b	90,862 a	90,862 a	— b	99,283
(b) Support services (Part B)	10,600	Indefinite	10,151 c	10,151 c	Indefinite	10,100
(c) Training grants (Part C)	31,568 d	— e	32,121 d	32,121 d	— e	33,568
Total definite authorizations	137,128	—	133,134	133,134	—	142,951
Immigrant Education						
1. Immigrant education (Pub.L. 98-511 Title VI)	30,000	40,000	28,710 f	—	40,000	—
Total definite authorizations	30,000	40,000	28,710	—	40,000	—
TOTAL, OBEMLA definite authorizations	167,128	40,000	161,844	133,134	40,000	142,951

Note: a. Adjusted for comparability. Excludes $136 thousand in 1985 and $148 thousand in 1986 for field reader activities, which are transferred to Salaries and Expenses in 1987.

b. Section 702(b)(4) requires that at least 60 percent of the total appropriation (after funds for State educational agency grants have been subtracted) be reserved for Part A programs.

c. Does not reflect a reduction of $160 thousand required by Section 315 of the Treasury-Postal Service Appropriations Act, 1986. Because that amount must be placed in reserve, it cannot be obligated and will lapse.

d. Adjusted for comparability. Excludes $1 thousand in 1985 and $2 thousand in 1986 for field reader activities, which are transferred to Salaries and Expenses in 1987.

e. Section 702(b)(5) reserves a minimum of 25 percent of the total appropriation (after funds for State educational agency grants have been subtracted) for Part C programs.

f. This program was appropriated under the Bilingual Education account in fiscal year 1986.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES (OSERS)						
Education for the Handicapped						
1. State grants:						
(a) State grant program (EHA-B-611)........	1,135,145	Indefinite	1,163,282	1,135,145	Indefinite	1,135,145
(b) Preschool incentive grants (EHA-B-619)..........	29,000	Indefinite	28,710	28,710	Indefinite	31,000
Subtotal..................	1,164,145	—	1,191,992	1,163,855	—	1,166,145
2. Special purpose funds:						
(a) Special populations:						
(1) Deaf-blind centers (EHA-C-622 and 624).........	14,828 a	15,000	14,119 a	11,764 a	15,000 b	9,000
(2) Severely handicapped projects (EHA-C-624)......	4,300	5,600	4,785	4,300	5,600 b	4,300
(3) Early childhood education (EHA-C-623 and 624)..	22,500	25,200	22,968	22,500	25,200 b	22,500
(4) Secondary and transitional services (EHA-C-624 and 626).........	6,300	6,440	6,316	6,316	6,440 b	6,300
(5) Postsecondary programs (EHA-C-624 and 625).....	5,300	5,300	5,264	5,264	5,300 b	5,300
(b) Research and technology:						
(1) Innovation and development (EHA-E)...........	15,842 c	22,800	16,000 c	15,811 c	22,800 b	16,000
(2) Media services and captioned films (EHA-F).....	16,448 d	21,100	16,676 d	16,427 d	21,100 b	16,300
(3) Special studies (EHA-B-618)................	3,170	3,440	3,301 e	2,212 e	3,440 b	2,000

Note: a. Adjusted for comparability. Excludes $172 thousand in 1985 and $236 thousand in 1986 for field reader activities, which are transferred to Salaries and Expenses in 1987.

b. The authorizing legislation expires at the end of fiscal year 1986. However, a one-year extension is authorized by section 414 of the General Education Provisions Act.

c. Adjusted for comparability. Excludes $158 thousand in 1985 and $189 thousand in 1986 for field reader activities, which are transferred to Salaries and Expenses in 1987.

d. Adjusted for comparability. Excludes $52 thousand in 1985 and $71 thousand in 1986 for field reader activities, which are transferred to Salaries and Expenses in 1987.

e. Does not reflect a reduction of $212 thousand required by Section 315 of the Treasury-Postal Service Appropriations Act, 1986. Because that amount must be placed in reserve, it cannot be obligated and will lapse.

All authorizations are under the Education of the Handicapped Act (EHA)

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
(c) Training and information						
(1) Special education personnel development (EHA-D-631, 632 and 634)	60,902 a	64,870	61,154 a	49,906 a	64,870 b	40,000
(2) Recruitment and information (EHA-D-633)	1,025	1,110	1,062	1,025	1,110 b	1,025
(3) Regional resource centers (EHA-C-621 and 634)	6,006	6,300	6,029	6,000	6,300 b	6,000
Subtotal	136,493	179,300	137,754	141,587	179,300	136,955
Total definite authorizations	1,320,040	179,300	1,349,746	1,303,382	179,300	1,303,100
Unfunded authorizations:						
Architectural barriers removal (EHA-A-607)	—	Indefinite	—	—	Indefinite	—
Administration, including technical assistance to States and training (EHA-D-617)	—	Indefinite	—	—	Indefinite	—
Total definite authorizations	1,320,040	179,300	1,349,746	1,303,382	179,300	1,303,100

Note: a. Adjusted for comparability. Excludes 648 thousand in 1985 and 694 thousand in 1986 for field reader activities, which are transferred to Salaries and Expenses in 1987.

b. The authorizing legislation expires at the end of fiscal year 1986. However, a one-year extension is authorized by section 414 of the General Education Provisions Act.

All authorizations are under the Education of the Handicapped Act (EHA).

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
Rehabilitation Services and Handicapped Research						
1. Vocational rehabilitation State grants (RA I sec. 100)	1,100,000	1,300,000	1,145,140	1,100,000	1,140,356	1,100,000
2. Special purpose funds.						
(a) Client assistance (RA I section 112)	6,300	6,700 a	6,412	6,300	To be determ.	6,300
(b) Innovation and expansion (RA I-C)	—	Indefinite a	8,613	8,613	To be determ.	9,000
(c) Service and demonstration projects:						
(1) Special demonstration programs (RA III sec 311)	14,635	20,000 a,b	19,388	12,829	To be determ.	14,635
(2) Recreational programs (RA III section 316)	2,100	2,300 a	2,165	—	To be determ.	—
(3) Migratory workers (RA III section 312)	950	3,000 a	937	950	To be determ.	950
(4) American Indians (RA I section 130)	1,400	Indefinite a,c	1,340	715	To be determ.	715
(5) Projects with industry (RA VI section 621)	14,400	15,200 a	14,347	13,000	To be determ.	13,000
(d) Independent living (RA VII):						
(1) Comprehensive services (section 701)	8,000	Indefinite a	10,327	8,000	To be determ.	—
(2) Centers (section 711)	22,029	25,000 a	22,011	22,000	To be determ.	22,000
(3) Services for older blind (section 721)	—	Indefinite a	4,785	—	To be determ.	—
(e) Training (RA III section 304)	22,000	31,000 a	25,000	20,000	To be determ.	13,000
(f) Evaluation (RA section 14)	2,000	Indefinite	1,982 d	020 d	Indefinite	400
(g) National Institute of Handicapped Research (RA II)	38,070 e	44,000 a	41,903 e	38,875 e	To be determ.	39,000
(h) Helen Keller National Center for Deaf-Blind Youths and Adults (Pub.L. 98-221 section 201)	4,300	4,300 a	4,115	4,115	To be determ.	4,300
Subtotal	130,900	151,600	164,400	104,197	—	125,400
Total definite authorizations	1,230,900	1,354,800	1,309,606	1,204,197	1,140,356	1,205,400

Note a. The authorizing legislation expires at the end of fiscal year 1986. The GEPA extension does not apply.

b. Amount specified in Department of Education Appropriations Act, 1986.

c. May not exceed one percent of the amount appropriated for section 100(b)(1).

d Does not reflect a reduction of $200 thousand required by Section 515 of the Treasury-Postal Service Appropriations Act, 1986. Because that amount must be placed in reserve, it cannot be obligated and will lapse.

e Adjusted for comparability. Excludes $107 thousand in 1985 and $125 thousand in 1986 for field reader activities, which are transferred to Salaries and Expenses in 1987.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
Unfunded authorizations:						
Construction grants (RA III section 301)	—	Indefinite a	—	—	To be determ.	—
Training services (RA III section 302)	—	Indefinite a	—	—	To be determ.	—
Comprehensive rehabilitation centers (RA III s. 305)	—	Indefinite a	—	—	To be determ.	—
Business opportunities (RA VI section 620)	—	Indefinite a	—	—	To be determ.	—
Protection and advocacy (RA VII section 741)	—	Indefinite a	—	—	To be determ.	—
Total definite authorizations	1,288,900	1,354,000	1,309,686	1,334,197	1,140,356	1,285,400
TOTAL, OSERS definite authorizations	2,354,740	1,394,300	2,659,382	2,309,579	1,387,906	2,388,500

Note: a The authorizing legislation expires at the end of fiscal year 1986. The GEPA extension does not apply.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
Payments to Institutions for the Handicapped						
1. American Printing House for the Blind (20 U.S.C. 101 et seq.):						
(a) Annual appropriation	5,300	Indefinite a	5,268	5,268	Indefinite a	5,310
(b) Permanent appropriation	10	10 a	10	10	10 a	—
Subtotal, APHB	5,310 b	10	5,278 b	5,278	10	5,310
2. National Technical Institute for the Deaf (Pub.L. 89-36):						
(a) Operations, regular	28,290	Indefinite	28,914	28,914	Indefinite	28,804
(b) Operations, rubella epidemic	1,710	Indefinite	1,710	1,710	Indefinite	1,496
(c) Endowment	—	—	—	—	To be determ.	1,000
(d) Construction	1,400	Indefinite	—	—	Indefinite	—
Subtotal, NTID	31,400 b	—	30,624 b	30,624	—	31,300
3. Gallaudet College:						
(a) College programs, regular (Pub L. 89-694 section 8)	37,404	Indefinite	37,654	37,404	Indefinite	38,252
(b) College programs, rubella epidemic	2,406	Indefinite	2,595	2,595	Indefinite	2,595
(c) Endowment	—	—	—	—	To be determ.	1,000
Subtotal, College programs	39,810	—	40,249	39,999	—	41,847

Note: a. Section 101 authorizes a permanent appropriation of $10 thousand per year in addition to authorizing an annual appropriation of "such sums as may be necessary."

b This program was appropriated as one of the accounts under Special Institutions.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
(d) Model Secondary School for the Deaf (Pub.L. 89-694)	12,200	Indefinite	12,294	12,200	Indefinite	12,200
(e) Kendall Demonstration Elementary School (Pub.L. 91-587)	6,490	Indefinite	6,792	6,490	Indefinite	6,490
Subtotal, Gallaudet College	38,700 a	—	39,885 a	38,887	—	40,737
Total definite authorizations	95,610	10	95,282	94,706	10	97,427
Unfunded authorizations:						
Gallaudet construction	—	Indefinite	—	—	Indefinite	—
Total definite authorizations	95,610	10	95,282	94,706	10	97,427

Note: a. This program was appropriated as one of the accounts under Special Institutions.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
OFFICE OF VOCATIONAL AND ADULT EDUCATION (OVAE)						
Vocational and Adult Education						
1. Vocational education (CDPVEA):						
(a) State programs:						
(1) Basic grants (Title II)	782,500	Indefinite	748,798	373,832	Indefinite	387,134
(2) Community-based organizations (Title III-A)	—	Indefinite	7,178	—	Indefinite	—
(3) Consumer and homemaker education (Title III-B)	31,600	Indefinite	30,273	—	Indefinite	—
(4) State councils (section 112)	7,000	Indefinite	6,986	6,986	Indefinite	7,000
(b) National programs:						
(1) Research (Title IV-A)	6,505	Indefinite a	7,309	7,309	Indefinite a	4,318
(2) Demonstrations (Title IV-B)	140	Indefinite a	—		Indefinite a	—
(3) Data systems (Title IV-C)	3,300	Indefinite a	2,801	2,801	Indefinite a	2,300
(c) Bilingual vocational training (Title IV-E)	3,686	Indefinite	3,327	3,327	Indefinite	—
(d) Permanent appropriation (Smith-Hughes Act)	7,148	7,148	6,841	6,841	7,148	7,148
Subtotal	842,148	7,148	813,113	602,776	7,148	408,102
2. Adult Education (AEA):						
(a) Grants to States (section 304)	101,963	Indefinite	97,579	97,579	Indefinite	102,000
(b) Research, development and evaluation (section 309)	—	Indefinite b	—	—	Indefinite b	2,000
Subtotal	101,963	—	97,579	97,579	—	104,000
Total definite authorizations	944,111	7,148	910,692	700,355	7,148	512,102

Note: a. Under the Carl D. Perkins Vocational Education Act, of the combined amounts appropriated for titles I (other than section 112), II, and IV (other than part E), two percent is to be set aside for National Programs. Of this amount, 35 percent is to be used for Research, 35 percent for Demonstrations, and 30 percent for Data Systems.

b. Under the Adult Education Act, the Secretary may reserve up to five percent of the appropriation for research, development, and evaluation activities if the overall appropriation is at least $112,000 thousand.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
Unfunded authorizations:						
Adult training, retraining, and employment development (CDPVEA Title III-C)	—	Indefinite	—	—	Indefinite	—
Comprehensive career guidance and counseling (CDPVEA Title III-D)	—	Indefinite	—	—	Indefinite	—
Industry education partnership for high technology training (CDPVEA Title III-E)	—	Indefinite	—	—	Indefinite	—
Total definite authorizations	944,111	7,140	910,692	700,285	7,140	312,182
TOTAL, OVAE definite authorizations	944,111	7,140	910,692	700,285	7,140	312,182

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
OFFICE OF POSTSECONDARY EDUCATION (OPE)						
Student Financial Assistance						
1. Pell grants (HEA IV-A-1):						
(a) Academic year program	3,612,000	Indefinite b,c	3,432,262 a	3,432,262 a	To be deterw. d	3,000,000
(b) Shortfall, 1985	250,000	—	—	—	—	—
(c) Shortfall, 1986	—	—	—	—	—	250,000
Subtotal	3,862,000	—	3,432,262	3,432,262	—	3,250,000
2. Campus-based aid						
(a) Work/grants (proposed legislation)	—	—	—	—	To be deterw. d	400,000
(b) Supplemental educational opportunity grants (HEA IV-A-2)	412,500	250,000 b,e,f	394,782	257,500	—	—
(c) Work-study (HEA IV-C)	592,500	850,000 b,f	547,003	502,500	—	—
Subtotal	1,005,000	1,100,000	941,785	760,000	—	400,000
3. Direct loans (HEA IV-E):						
(a) Income-contingent loans (proposed legislation)	—	—	—	—	To be deterw. d	137,340 g
(b) Federal capital contributions	192,400	625,000 b,f	181,000	—	—	—
(c) Teacher cancellations	25,000	Indefinite b	26,796	26,796	Indefinite d	25,000
Subtotal	217,400	625,000	290,426	26,796	—	162,340
4. State student incentive grants (HEA IV-A-3)	76,000	250,000 b	72,792	—	—	—
Total definite authorizations	5,160,400	1,975,000	4,675,493	4,219,058	—	3,812,340

Note: a. Adjusted for comparability. Excludes $1,454 thousand for administrative activities, which are transferred to Salaries and Expenses in 1987.

b. A one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

c. Payments to institutions, based on a $5 per recipient calculation, pay for a share of the cost of administering Federal student aid programs. This amount is reserved from the Pell Grant appropriation ($13,240 thousand).

d. Legislation to be proposed.

e. A definite authorization is provided for initial awards only. Continuing awards have indefinite authority.

f. Institutions are authorized to use up to five percent of the first $2,750 thousand of expenditures for the three campus-based student aid programs (Supplemental Grants, Work-Study and Direct Loans) for administrative expenses; in excess of this amount but less than $5,500 thousand, up to four percent; above $5,500 thousand, three percent ($30,400 thousand).

g. Supplemented by $52,432 thousand in net offsetting collections, bringing the program level to $190,000 thousand.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
Unfunded authorizations:						
Training in financial aid and student support services (HEA IV section 486)	—	1,000 a	—	—	—	—
Total definite authorizations	3,160,480	2,054,000	4,673,485	4,219,038	—	3,812,368
Guaranteed Student Loans						
1. Guaranteed student loans (HEA IV-B)	3,077,977	Indefinite	3,257,973	3,325,019	Indefinite c	2,329,306
2. Supplemental for 1985 costs	726,334	—	—	—	—	—
Subtotal	3,804,311	—	3,259,975	3,325,019	—	2,329,306
3. Supplemental for 1984 costs	310,012	—	—	—	—	—
Total definite authorizations	3,790,323 b	—	3,259,975 b	3,325,019 b	—	2,329,306 d

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Note: a. A one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

b. Adjusted for comparability. Excludes $1,300 thousand in 1985 and $5,956 thousand in 1986 for administrative activities, which are transferred to Salaries and Expenses in 1987.

c. The authorizing legislation of certain provisions, namely, direct Federal insurance of loans to new borrowers (and then, interest costs paid on behalf of such borrowers) and interest costs paid on behalf of borrowers obtaining loans under guarantee agency program, expires at the end of fiscal year 1986. However, a one-year extension of these provisions is authorized by section 414 of the General Education Provisions Act.

d. Reflects a savings of $12,423 thousand in 1987 which results from the sequester in 1986.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
Higher Education						
1. Aid for institutional development (HEA III)						
(a) Endowment grants (Part C section 333)	15,600	—	22,210	22,210	—	50,000
(b) Development grants (proposed legislation)	—	—	—	—	—	90,900 a
(c) Strengthening institutions (Part A)	60,604	—	63,087	63,087	—	—
(d) Institutions with special needs (Part B)	58,604	—	45,139	45,139	—	—
(e) Challenge grants (Part C sections 331-2)	6,400	—	4,700	4,700	—	300
Subtotal	141,208	270,000 f,g	135,136	135,136	To be determ.	141,200
2. Aid for disadvantaged students						
(a) Postsecondary outreach:						
(1) Postsecondary outreach (proposed legislation)	—	—	—	—	To be determ.	42,470 b
(2) Special programs outreach (HEA IV-A-4)	104,737 c	Indefinite g	98,702 c	47,364 c	To be determ.	—
(3) High school equivalency program for migrants (HEA IV-A-5)	6,300	18,000 g,h	6,009	—	—	—
Subtotal	111,037	18,000	104,711	47,364	—	42,470
(b) Special college services						
(1) Special college services (proposed legislation)	—	—	—	—	To be determ.	39,900 d
(2) Special services in college (HEA IV-A-4)	70,200 e	Indefinite	70,084 e	35,066 e	To be determ.	—
(3) College assistance migrant program (HEA IV-A-5)	1,200	— g,h	1,148	—	—	—
Subtotal	71,400	—	71,232	35,066	—	39,900
3. Veterans' cost-of-instruction (HEA IV-A-4(5))	3,000	Indefinite g	2,871	—	—	—

Note:
a. Consolidates Strengthening Institutions and Institutions with Special Needs in 1987.
b. Consolidates Special Programs Outreach (except Staff Training, which would be terminated) and High School Equivalency Program (from Compensatory Education for the Disadvantaged).
c. Includes Talent Search, Upward Bound, Educational Opportunity Centers and Staff Training (from Special Programs for the Disadvantaged).
d. Consolidates Special Services in College (from Special Programs for the Disadvantaged) and College Assistance Migrant Program (from Compensatory Programs for the Disadvantaged).
e. Includes Special Services (from Special Programs for the Disadvantaged).
f. A total of $270,000 thousand is authorized, of which $220,000 thousand is authorized for Parts A and B—Strengthening institutions, Institutions with special needs, and Part C—Challenge grants, and $50,000 thousand is authorized for Part C—Endowment grants.
g. The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.
h. A total of $18,000 thousand is authorized to carry out the programs of the subpart which includes secondary and postsecondary high school equivalency programs and college assistance migrant program projects.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
4. Program development:						
(a) Minority institutions science improvement (Pub.L. 97-85 section 320(3))	5,000	5,000	4,785	4,785	5,000 b	5,000
(b) Fund for the Improvement of Postsecondary Education (HEA X)	12,710	50,000 a	12,163	10,000	To be determ	10,000
(c) International education and foreign language studies:						
(1) Domestic programs (HEA VI)	26,350	87,380 a	25,408	—	—	—
(2) Overseas programs (Fulbright-Hays Act section 102(b)(6))	5,300	Indefinite	5,263	—	Indefinite	—
Subtotal	32,050	87,380	30,671	—	—	—
(d) Cooperative education (HEA VIII)	14,400	35,000 a	13,781	—	—	—
Subtotal	64,160	177,380	61,400	14,785	5,000	15,000
5. Academic facilities:						
(a) Interest subsidy grants (HEA VII-C section 734)	18,775	Indefinite a	22,490	22,490	To be determ	23,000
(b) Academic facilities construction grants (HEA VII-A and B)	28,000	80,000 a	9,570	—	—	—
Subtotal	46,775	80,000	32,060	22,490	—	23,000
6. Graduate programs:						
(a) Graduate and professional opportunity fellowships (HEA IX-B)	11,730	Indefinite a	11,245	—	—	—
(b) Public service fellowships (HEA IX-B)	2,300	Indefinite a	2,393	—	—	—
(c) National graduate fellowships (HEA IX-C)	2,300	Indefinite a	2,393	—	—	—
(d) Legal training for the disadvantaged (HEA IX-D)	1,500	10,000 a	1,435	—	—	—
(e) Law school clinical experience (HEA IX-E)	1,200	2,000	1,435	—	2,000	—
Subtotal	19,730	12,000	18,901	—	2,000	—
7. Carl D. Perkins scholarships (HEA V-E)	—	20,000	9,570	—	21,000	—

Note: a. The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

b. The authorizing legislation will expire at the end of fiscal year 1986. However, a one-year extension is authorized by section 414 of the General Education Provisions Act.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
6 Special grants:						
(a) Assistance to Guam (HEA XII sec. 1204c)	500	2,000 a	479	—	—	—
(b) Land-grant endowments for American Samoa and Micronesia (First Morrill Act)	6,000	—	—	—	—	—
(c) Robert A. Taft Institute of Government (Pub.L. 96-374 XIII-H-1 section 1371)	750	750 a	710	—	—	—
(d) Special higher education projects (Pub.L. 98-480 Title III)	22,000	—	—	—	—	—
(e) Center for excellence in education (Pub.L. 98-558 section 501)	—	6,000 b	5,740	—	—	—
Subtotal	29,250	8,750	6,929	—	—	—
Total definite authorizations	486,500	584,250	442,040	254,781	20,000	261,570
Unfunded authorizations:						
Education outreach programs (HEA I-B)	—	60,000 a	—	—	—	—
Federal merit scholarships (HEA IV-A-6)	—	8,000	—	—	8,000	—
Cost-of-education payments (HEA IV-A-7 section 420)	—	Indefinite a	—	—	—	—
Training for higher education personnel (HEA V-B-530)	—	35,000 a,c	—	—	—	—
National talented teacher fellowships (HEA V-F)	—	1,000	—	—	2,000	—
Undergraduate facilities construction grants (HEA VII-A)	—	100,000 a	—	—	—	—
Graduate institutional grant program (HEA IX-A)	—	50,000 a	—	—	—	—
Mining fellowships (HEA IX-B)	—	Indefinite a	—	—	—	—
Urban university grant program (HEA XI)	—	35,000 a	—	—	—	—
Law enforcement education (Omnibus Crime Control Act)	—	Indefinite	—	—	Indefinite	—
Total definite authorizations	486,500	915,250	442,040	254,781	30,000	261,570

Note: a. The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

b. One-time only authorization.

c. A total of $35,000 thousand is authorized for all HEA, Title V, Part B activities, excluding Teacher Centers (which was repealed effective October 1, 1982) and Training for higher education personnel.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
Higher Education Facilities Loans and Insurance						
1. Higher education facilities loans and insurance:						
(a) Annual appropriation (HEA VII-C)	14,119 a	80,000 f,g,h	17,091 a	17,091 a	To be determ. i	19,285
(b) Permanent indefinite appropriation (Pub L. 90-138)	—	Indefinite	—	—	Indefinite	—
Total definite authorizations	14,119	80,000	17,091	17,091	—	19,285
College Housing Loans						
1. College housing loans:						
(a) Annual appropriation (Housing Act Title IV)	—	Such sums nec j	—	—	Such sums nec j	—
(b) Permanent indefinite appropriation (Pub L. 89-300)	—	Indefinite	—	—	Indefinite	—
Total definite authorizations	— b	—	— c	— d,e	—	— d
TOTAL, OPE definite authorizations	9,459,587	8,851,250	8,896,111	7,816,749	80,000	6,482,910

Note: a. Adjusted for comparability. Excludes $75 thousand in 1985 and $100 thousand in 1986 for loan servicing, which is transferred to Salaries and Expenses in 1987.

b. Loan authority is $40,000 thousand.

c. Loan authority is $57,400 thousand.

d. No loan authority is requested.

e. Supplemental language would withdraw $57,400 thousand in loan authority.

f. The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

g. Includes interest expenses on Treasury-provided loan capital as well as loan servicing and facilities management expenses.

h. A total of $80,000 thousand is authorized for both new loans and program operating costs.

i. Pending submission of proposed legislation.

j. Loans may be financed and program operating costs may be paid for from available resources in the revolving fund. The level of new loan commitments, however, must be specified each year in appropriation language.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
Howard University						
1 Howard University						
(a) Academic program (20 U.S.C. 121)	129,124	Indefinite	129,314	129,314	Indefinite	113,064
(b) Endowment (Pub.L. 98-480)	2,000	2,000	1,914	1,000	2,000	2,000
(c) Research (20 U.S.C. 123)	5,000	Indefinite	4,785	—	Indefinite	—
(d) Howard University Hospital (Pub.L. 87-262)	22,106	Indefinite	21,135	21,135	Indefinite	22,106
Total definite authorizations	158,230 a	2,000	157,148 a	151,449	2,000	137,170

Note a This program was appropriated as one of the accounts under Special Institutions

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT (OERI)						
Education Research and Improvement						
1. Education research and improvement (GEPA sections 405 and 406)	39,852 a	187,000 b	56,999 a	56,999 a	14,000 c	70,231
Total definite authorizations	39,852	187,000	56,999	56,999	14,000	70,231
Libraries						
1. Public library services (LSCA I)	75,000	80,000	71,774	71,774	85,000	—
2. Public library construction (LSCA II)	25,000	50,000	25,388	—	50,000	—
3. Interlibrary cooperation (LSCA III)	18,000	25,000	17,226	17,226	30,000	—
4 Library literacy programs (LSCA VI)	—	3,000	4,785	—	5,000	—
5. Training and demonstrations (HEA II-B):						
(a) Library career training	636	—	612	—	—	—
(b) Library research and demonstrations	364	—	345	—	—	—
Subtotal	1,000	35,000 b,d	957	—	—	—
6. Research libraries (HEA II-C)	6,000	15,000 b	3,748	—	—	—
Total definite authorizations	125,000	210,000	128,017	89,000	170,000	—

Note: a. Adjusted for comparability. Excludes $126 thousand in 1985 and $400 thousand in 1986 for field reader activities, which are transferred to Salaries and Expenses in 1987.

b. The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986.

c. The authorizing legislation for the National Center for Education Statistics includes $14,000 thousand for 1987. However, proposed legislation will eliminate a separate authorization for the Center; a single authorization is proposed for Education Research and Improvement.

d. A total of $35,000 thousand is authorized for Training, Demonstrations, and Special Purpose Grants.

LSCA, Title IV, mandates setasides of 1.5% for Indian tribes and 0.5% for Hawaiian natives, to be taken from the total amount appropriated for each of LSCA Titles I, II, and III.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
Unfunded authorizations:						
Foreign language materials acquisition (LSCA V)	—	1,000	—	—	1,000	—
College library resources (HEA II-A)	—	35,000 a	—	—	—	—
Special purpose grants (HEA II-B)	—	— a,b	—	—	—	—
Total definite authorizations	125,000	246,000	128,017	89,000	171,000	—
TOTAL, OERI definite authorizations	184,852	483,000	177,816	145,999	185,000	70,231

Note: a. The one-year extension authorized by section 414 of the General Education Provisions Act expires at the end of fiscal year 1986
b. A total of $35,000 thousand is authorized for Training, Demonstrations, and Special Purpose Grants.

Office, Appropriation Account, Program and Activity
(in thousands of dollars)
Table 16

Office, Appropriation Account, Program and Activity	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
DEPARTMENTAL MANAGEMENT Salaries and Expenses (Pub L. 96-88)						
1. Postsecondary education	80,033 a	Indefinite	87,086 a	87,486 a	Indefinite	80,124
2. Other education programs	30,094 b	Indefinite	54,187 b	54,187 b	Indefinite	64,047
3. Civil rights	40,000	Indefinite	42,704 c	42,704 c	Indefinite	38,187
4. Inspector General	13,312	Indefinite	14,654	14,654	Indefinite	16,078
5. Executive direction	105,025	Indefinite	84,026	84,026	Indefinite	87,021
Total definite authorizations	300,762 d	—	282,697	282,697	—	295,750

Note: a. Adjusted for comparability. Includes $1,375 thousand in 1985 and $7,389 thousand in 1986 for activities transferred to Salaries and Expenses in 1987; $1,300 thousand in 1985 and $8,944 thousand in 1986 from Guaranteed Student Loans and $1,454 thousand in 1986 from Student Financial Assistance is for administrative activities and $75 thousand in 1985 and $100 thousand in 1986 from Higher Education Facilities Loans and Insurance is for loan servicing.

b. Adjusted for comparability. Includes $800 thousand in 1985 and $1,065 thousand in 1986 for field reader activities, which are transferred to Salaries and Expenses in 1987, $187 thousand in 1985 and $130 thousand in 1986 from Bilingual Education, $400 thousand in 1985 and $290 thousand in 1986 from Education for the Handicapped, $187 thousand in 1985 and $125 thousand in 1986 from Rehabilitation Services and Handicapped Research and $126 thousand in 1985 and $400 thousand in 1986 from Education Research and Improvement.

c. Does not reflect a reduction of $945 thousand required by Section 313 of the Treasury-Postal Service Appropriations Act, 1986. Because that amount must be placed in reserve, it cannot be obligated and will lapse.

d. Does not reflect reductions required by Section 313 of the Treasury-Postal Service Appropriations Act, 1985.

Office, Appropriation Account, Program and Activity (in thousands of dollars) Table 16	1985 Appropriation	1986 Authorization	1986 Appropriation	1986 Revised Request	1987 Authorization	1987 President's Budget
Education and Research Overseas (Pub L. 83-480) (Special Foreign Currency Program)						
1. Rehabilitation research (Pub L. 86-610)	—	—	—	—	—	—
2. Education activities overseas (Fulbright-Hays Act)	—	—	—	—	—	—
Total definite authorizations	—	—	—	—	—	—
TOTAL, Departmental Management definite authorizations	300,762	—	280,297	282,297	—	295,731
TOTAL, DEPARTMENT OF EDUCATION, definite authorizations	19,070,624	6,462,000	17,778,012	16,757,056	8,964,094	15,210,094

T-17

DEPARTMENT OF EDUCATION

Total Employment (Fiscal Years 1968-1987)
(Excluding Overtime)

	1/ Total Positions Authorized (FTP)	Total FTP Employment, End of Year	Total Workyears, All Employment (FTE)
1987 Est.	4,392	4,392	4,500
1986 Est. 2/	4,392	4,392	4,522
1985	4,522	4,522	4,925
1984	4,641	4,641	5,023
1983	4,709	5,131	5,385
1982	4,917	4,877	5,632
1981	5,493	5,532	6,883
1980	6,444	5,639	5,946
1979	3,564	3,259	3,437
1978	3,571	3,345	3,421
1977	3,570	3,031	3,347
1976	3,164	3,012	3,224
1975	3,175	2,942	3,109
1974	3,172	2,762	2,839
1973	2,988	2,633	2,838
1972	2,920	2,793	2,808
1971	2,920	2,917	2,935
1970	2,810	2,669	2,846
1969	2,923	2,923	3,148
1968	3,067	3,036	3,182

Note: FTP means full-time permanent.
FTE means full-time equivalent (workyears).

1/ The Department's employment level is currently controlled only by FTE employment, not by number of positions. The numbers in this column represent the actual (1984 and 1985) and estimated (1986 and 1987) number of occupied FTP positions in the Department for the years since 1983. For prior years, the numbers reflect the authorized positions in the Department.

2/ Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

DEPARTMENT OF EDUCATION

Appropriations for which Funds Lapsed in Fiscal Year 1985

Appropriation	Identification Code	Unobligated Balance Lapsing
Higher Education..................	91-0201	$17,700,000 1/
Vocational and Adult Education....	91-0400	1,994,295 2/
Departmental Management...........	91-0800	4,254,000 3/

1/ This amount was reappropriated from 9150201 to 915/60201 and is only a technical lapse.

2/ Represents accounting adjustments of unobligated balances from previous years.

3/ Represents amount reserved to meet requirements of Section 515 of Treasury-Postal Service Appropriations Act (P.L. 98-369). Funds were unavailable for obligation.

NOTE: All other funds that the Department would have lapsed were contingently obligated in order to implement a U.S. District Court Order of September 27, 1985, in the Chicago case, suspending the provisions of 31 USC 1532.

Source: U.S. Government 1985 Annual Report--Appendix

DEPARTMENT OF EDUCATION

Travel and Transportation of Things
(Object Classes 21 and 22)
Fiscal Years 1985-1987 Appropriations

	1985 Actual	1986 2/ Estimate	1987 Estimate
FY 1985 and 1986 Structure: 1/			
Salaries and Expenses	$3,529,000	$2,264,000	
Office for Civil Rights	936,000	841,000	
Office of the Inspector General	854,000	761,000	
FY 1987 Structure: 1/			
Salaries and Expenses - Consolidated	(5,319,000)	(3,866,000)	$5,391,000
Indian Education Program Administration	163,000	130,000	163,000
TOTAL	5,482,000	3,996,000	5,554,000

1/ In FY 1985 and 1986, there are separate appropriations as listed -- Salaries and Expenses, Office for Civil Rights, and Office of the Inspector General. For FY 1987, the Department is proposing a consolidated account titled "Salaries and Expenses". Parenthetical entries are included to show comparable amounts for all four accounts for all three years displayed.

2/ Reflects a reduction pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177.

E-1

DEPARTMENT OF EDUCATION

Federal Education Appropriations (Fiscal Years 1967-1986)
Functional Code 500
(in millions of dollars)

	Elementary, Secondary and Vocational Education 1/	Higher Education 2/	Education Research and General Education Aids 3/	Total
1986 Est.	$7,331	$8,083	$1,123	$16,536
1985	7,963	9,763	1,223	18,949
1984	7,243	6,956	1,133	15,332
1983	6,854	7,418	1,147	15,419
1982	6,403	7,401	999	14,803
1981	6,713	6,913	1,286	14,912
1980	7,225	5,735	1,344	14,304
1979	7,655	5,360	1,334	14,349
1978	6,721	4,300	1,228	12,249
1977	6,265	3,765	1,078	11,108
Transition Quarter	2,947	180	338	3,465
1976	5,089	3,680	765	9,534
1875	4,775	1,876	754	7,405
1974	4,301	2,126	835	7,262
1973	4,469	1,853	1,754	8,076
1972	4,160	1,562	1,249	6,971
1971	3,827	1,059	1,037	5,923
1970	3,348	966	892	5,206
1969	3,075	814	795	4,684
1968	2,893	1,222	1,784	5,899
1967	1,980	1,266	1,196	4,442

1/ Federal Budget Subfunction Code 501. (See also E-2, Expenditures)
2/ Federal Budget Subfunction Code 502. (See also E-3, Expenditures)
3/ Federal Budget Subfunction Code 503.

Source: Part 5, "The Federal Budget by Function: Meeting National Needs," Budget of the U.S. Government, Fiscal Year 1987.

DEPARTMENT OF EDUCATION

Total Federal Expenditures for Elementary, Secondary and Vocational Education (Fiscal Years 1967-1986) (in millions of dollars)

1986 Estimate	$7,350
1985	7,633
1984	6,520
1983	6,294
1982	6,780
1981	7,157
1980	6,908
1979	6,123
1978	5,186
1977	4,638
Transition Quarter	1,207
1976	4,690
1975	4,634
1974	3,771
1973	3,745
1972	3,962
1971	3,544
1970	3,107
1969	2,728
1968	2,893
1967	2,639

Note: Expenditures for Elementary, Secondary and Vocational Education are Federal Budget Subfunction Code 501. (See also Moyer Table T-12.)

Source: "Budget Outlays by Function and Agency" in Summary Tables, Part 6, Budget of the United States Government, Fiscal Year 1987.

DEPARTMENT OF EDUCATION

Total Federal Expenditures for Higher Education (Fiscal Years 1967-1986)
(in millions of dollars)

1986 Estimate	$8,955
1985	8,211
1984	7,383
1983	7,231
1982	7,206
1981	8,866
1980	6,726
1979	5,058
1978	3,721
1977	3,209
Transition Quarter	739
1976	2,663
1975	2,050
1974	1,349
1973	1,532
1972	1,447
1971	1,433
1970	1,385
1969	1,232
1968	1,393
1967	1,160

Note: Expenditures for Higher Education are Federal Budget Subfunction Code 502. (See also Moyer Table T-12.)

Source: "Budget Outlays by Function and Agency" in Summary Tables, Part 6, Budget of the United States Government, Fiscal Year 1987.

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